

Waqf-Based Educational Endowment as a Complementary Mechanism for Sustainable Economic Stability: A Critique of the Keynesian Multiplier Framework

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Abstract

The dominance of the Keynesian Multiplier Effect framework in global fiscal policy has contributed to chronic monetary instability in many economies. This paper critically examines the Keynesian model's fundamental limitations, particularly its excessive reliance on consumption-driven stimulus through a high Marginal Propensity to Consume (MPC). This study argues that, rather than fostering sustainable long-term economic growth, persistent dependence on a high MPC tends to generate inflationary pressures and investment inefficiencies because interest-based financial mechanisms leak economic value. This study uses a qualitative research design, drawing on a critical literature review and a case study approach. Data were collected by synthesizing contemporary Islamic economic thought and observations of the protective business model implemented by Pondok Modern Darussalam Gontor to develop a direct comparative analysis with the Keynesian macroeconomic framework. The findings indicate that a genuine multiplier mechanism can be generated through the paradigm of Educational Waqf as a self-sustaining economic engine. By implementing protective economic principles and waqf-based independent business units at Pondok Modern Darussalam Gontor, the institution systematically reinvests business surpluses into the real sectors of education and community empowerment, without relying on debt financing or state fiscal intervention. This study contributes to the discourse on Islamic economics by proposing a protective waqf-based economic model as a viable institutional framework for achieving economic self-reliance and macroeconomic stability amid the structural distortions of the contemporary global capitalist system.

Keywords: Multiplier Effect; Keynesian Economics; Educational Waqf, Endowment Fund, Economic Stability

Introduction

The Keynesian macroeconomic paradigm has dominated global fiscal policy for decades, primarily as the main instrument of state intervention to stabilize the business cycle. This framework relies on the Keynesian Multiplier concept, which assumes that each unit of government spending or fiscal stimulus expands national income through high levels of household consumption (Marginal Propensity to Consume/MPC) (Brady, 2020; Osuoha, 2022). However, the structural effectiveness of this conventional multiplier is increasingly being questioned in the modern macroeconomic landscape. Recent empirical evaluations show that, rather than triggering sustained real output growth, Keynesian-based fiscal policies often result in high volatility and get trapped in local investment inefficiencies (Fiuratti et al., 2025; Mourão & Popescu, 2023). Keynesian models' inability to adapt to structural rigidities in developing countries further underscores that the assumption of consumption-driven growth fails to deliver long-term stability (Kingu, 2024).

The Keynesian Multiplier's systemic failure stems from its acute dependence

on the fiat monetary system and conventional interest-based banking mechanisms (fractional reserve banking). Within the capitalist fiscal framework, every injection of liquidity through government spending suffers severe leakage of economic value. That liquidity does not flow optimally into the real production sector, but is instead absorbed into speculative financial circulation and usurious instruments to service bank interest burdens (Irsyamuddin et al., 2021). As a result, excessive fiscal stimulus has fueled demand-pull inflation without expanding aggregate supply capacity, which in turn has widened the wealth distribution gap in society (Syamsuri & Zuhroh, 2020). This chronic reliance on government debt and high consumption creates a fragile, inflationary economic cycle vulnerable to external shocks.

In response to this instability, Islamic economics offers an alternative paradigm that shifts the economic anchor from consumption and debt to production and investment in real assets (an asset-backed framework). Waqf, particularly productive waqf and endowments, is the macro-philanthropic instrument with the institutional capacity to fulfill this role (Syamsuri & Adillah, 2024; Syamsuri et al., 2021d). Unlike conventional charitable instruments, which are short-term and consumption-oriented, waqf operates as a mechanism for perpetual capital creation that preserves the principal of the assets and distributes the surplus to strategic sectors (Syamsuri & Al Manaanu, 2021). Theoretical analysis shows that a waqf-based economic model can generate an alternative multiplier effect by eliminating bank interest distortions and minimizing monetary leakage from the real sector.

As times modernize, waqf institutions have shifted from managing places of worship in the traditional sense to managing flexible, dynamic contemporary asset portfolios (Wildana et al., 2025; Syamsuri et al., 2021c). The accelerating macroeconomic impact of waqf is being bolstered by technological innovations, such as the Cash Waqf-Linked Sukuk (CWLS) scheme based on Mudharabah contracts, which provides a financing solution for the real sector without the burden of commercial debt (Humaidi, Syamsuri, and Khoirunnisa 2023). In addition, adopting financial technologies such as blockchain and smart contracts is crucial to eliminating information asymmetry and optimizing the global governance of monetary waqf (Aysan & Al-Saudi, 2023; Fajar et al., 2024; Hasbulah et al., 2025; Wildana & Imamia 2022). However, to realize waqf's full potential as a sustainable financial driver, modern literature emphasizes that strong governance, transparency, legal reform, and professional management are non-negotiable prerequisites (Wibisono, Syamsuri, and Rohman 2022). In a mature ecosystem, waqf can strategically complement the government's fiscal policies in addressing poverty and structural income inequality (Syamsuri, Yuniar, and Afifah 2022).

Empirical evidence of this endowment fund management model's success appears in Indonesia's pesantren ecosystem through Pondok Modern Darussalam Gontor's implementation of the "Protective Business Model." As one of Indonesia's pioneers of boarding schools based on absolute waqf, Gontor demonstrates how an institution can achieve financial autonomy without relying on government fiscal subsidies or commercial debt financing (Uula, 2023). Through its legal entity, the Foundation for the Maintenance and Expansion of the Pondok Modern Darussalam Gontor Waqf (YPPWPM), the institution has diversified its waqf assets into various sectors of the real economy, ranging from large-scale agriculture through the management of waqf rice fields (Jamal et al., 2022), retail business network and commercial logistics distribution through the La Tansa Cooperative (Syamsuri et al., 2021a), including the manufacturing sector and other agro-industries. Gontor's economic sustainability depends on its capital circulation system, which minimizes leakage: business surpluses are not allocated to enrich individual capital owners.

However, they are reinvested to expand business units and subsidize educational costs, infrastructure, and human resource development. The synergy between the pesantren's local wisdom and this management creates an inclusive, high-quality, and institutionally self-reliant model of educational financing (Syamsuri and Bahrudin, 2022).

Based on this background, this study aims to answer three fundamental questions:

1. How are the structural challenges of the Keynesian Multiplier Framework's rigidity evaluated from the perspective of heterogeneity in consumer behavior (heterogeneous MPCs)
2. How can the architecture of a waqf-based Protective Business Model reduce monetary leakage and position endowment funds as a complement to sustainable fiscal policy?

Literature Review

The Deconstruction of the Keynesian Multiplier and Its Structural Challenges

Conventionally, the magnitude of the fiscal multiplier is calculated using the following standard mathematical formula:

$$K_c = \frac{1}{1 - MPC}$$

Where K_c is the conventional multiplier coefficient and MPC stands for the Marginal Propensity to Consume, or the public's marginal propensity to consume their additional income. When accounting for external leakage variables in an open economy, such as taxes (t) and imports (m), the formula is expanded to:

$$K_c = \frac{1}{1 - MPC(1 - t) + m}$$

Conventional fiscal multiplier mechanisms assume a linear relationship between consumption and aggregate economic output. However, contemporary macroeconomics questions this assumption of homogeneity. Research by Auclert, Bardoczy, and Rognlie (2021) identifies a trilemma in the New Keynesian model: simultaneously estimating the empirical MPC, the income response, and the multiplier leads to a clear mathematical inconsistency. This failure of generalization occurs because consumer behavior is not homogeneous; empirical data show that the Marginal Propensity to Consume (MPC) varies sharply across income groups (heterogeneous MPCs) and fluctuates throughout the business cycle because of unemployment risk. Assuming a single, stable MPC value for fiscal policy formulation is deemed inaccurate (false and misleading) for describing the reality of diverse group behavior.

Furthermore, in a macroeconomic system tied to the conventional financial industry, funds from fiscal stimulus are prone to monetary leakages. The government's injected liquidity is often not fully absorbed into the real sector's supply capacity. Instead, it flows into the fractional reserve banking system and speculative financial markets in pursuit of short-term interest-rate gains (Irsyamuiddin et al., 2021). This is exacerbated by multiple equilibria, in which stimulus measures based on sovereign debt risk creating demand-side inflationary pressures that erode the general public's real purchasing power (Beraldi & Malgieri 2024), sparking debate over the long-term effectiveness of the size and conditions of the fiscal multiplier.

Cash Endowments and Educational Endowment Funds as a Complement to Fiscal Policy

Islamic economics eliminates interest-based debt instruments and replaces them with an asset-backed framework driven by the real-asset production sector,

with waqf as a cornerstone (Fajar et al., 2024). The evolution of modern scholarship views waqf no longer as a traditional, static form of charity, but rather as a dynamic endowment capable of increasing personal income, improving healthcare services, supporting the education sector, and promoting the achievement of the Sustainable Development Goals (SDGs) (Syamsuri, Nurtajuddin, and Nurfattah 2024). Waqf's key characteristic as a form of perpetual capital enables economic stability because the principal is frozen. At the same time, its surplus is consistently allocated to public welfare and to strengthening the surrounding community's economic self-reliance (Mahfudz et al., 2024).

The modernization of waqf institutions in the 21st century is characterized by adaptive asset management diversification (Muis, Syamsuri, and Taquiuddin 2025). Financial innovations such as Cash Waqf-Linked Sukuk (CWLS) based on the *Mudharabah* agreement have proven effective in mobilizing idle public liquidity and transforming it into productive capital for the real sector and SMEs without the burden of commercial debt (Humaidi, Syamsuri, and Khoirunnisa 2023). However, recent literature emphasizes that the effectiveness of this waqf instrument depends heavily on the fulfillment of governance requirements:

1. **The Digital Transformation of Waqf:** The use of digital innovations such as blockchain, crowdfunding, and smart contracts is crucial for eliminating information asymmetry, enhancing transparency, and expanding the reach of global endowment fundraising (Fajar et al., 2024; Hasbulah et al. 2025; Arwani and Priyadi 2024; Budi Santoso & Kusuma 2023).
2. **Good Waqf Governance (GWG):** The implementation of professional, accountable, and credible governance by trustees is key to overcoming fragmented legal frameworks, limited public awareness, and weak management incentives within the current waqf ecosystem (Wibisono, Syamsuri, and Rohman 2022; Ula, 2023; Syamsuri et al., 2021b).

The Protective Business Model: An Empirical Foundation of Gontor Pesantren Institutionalism

The empirical manifestation of an economic circulation system characterized by minimal capital leakage (low-leakage multiplier) is firmly embodied in the institutional framework of Islamic boarding schools in Indonesia, with Pondok Modern Darussalam Gontor serving as the primary model (Ula, 2023). Gontor eliminated the educational institution's financial dependence on external sources through the declaration of an absolute collective endowment (the 1951 Endowment Deed), which placed all of its commercial and academic assets under the independent authority of the Foundation for the Maintenance and Expansion of the Endowment of Pondok Modern Darussalam Gontor (YPPWPM) (Arroisi & Syamsuri, 2020).

The Protective Business Model architecture implemented by YPPWPM is based on three operational pillars:

1. **Total Multi-Sector Asset Diversification:** Gontor's productive waqf portfolio is managed corporately across strategic sectors, including large-scale agriculture through the management of waqf rice fields (Jamal et al., 2022; Syamsuri, Sanusi, and Latif n.d.), as well as the retail, logistics, manufacturing, and microfinance sectors through the La Tansa Cooperative network (Ardhana, 2023; Syamsuri et al., 2021a).
2. **The Closed-Loop Reinvestment Cycle:** Gontor's internal regulations strictly ensure that the business's net profits are not allocated to individual managers, but are instead reinvested 100% within the institution's ecosystem for business expansion and cross-subsidization of the education

sector (Arroisi & Syamsuri, 2020).

3. **Institutional Accountability:** Transparency in management is underpinned by a strong sense of transcendental ethical responsibility, ensuring that waqf assets are protected from the risk of liquidation or takeover by external capitalists, while creating an inclusive model of education financing that is resilient to external macroeconomic shocks (Syamsuri et al., 2020).

Method

This study uses a qualitative research design that combines two main approaches: a critical literature review and an exploratory case study. The critical literature review approach was used to analyze the mathematical weaknesses and structural challenges within the Keynesian Multiplier Framework based on the latest macroeconomic literature. Meanwhile, the exploratory case study approach was used to analyze the operational anatomy, surplus circulation flows, and financial resilience of the waqf-based Protective Business Model at Pondok Modern Darussalam Gontor.

The data analyzed in this study consist entirely of secondary data from authoritative literature, grouped into three main data clusters:

1. **Macroeconomic Theory Cluster:** Articles in reputable international journals and economic manuscripts evaluating the performance of the fiscal multiplier, MPC volatility, and the New Keynesian trilemma (Auclert, Bardoczy, and Rognlie 2021).
2. **Modern Waqf Theory Cluster:** Scholarly publications on Islamic social finance instruments, CWLS, as well as governance challenges and the digitization of cash waqf (Manzilati et al., 2025).
3. **Gontor Case Study Documents Cluster:** Articles of incorporation, waqf transfer charters, academic papers, and specific research on business units under the auspices of YPPWPM Gontor (Arroisi & Syamsuri, 2020).

Data collection was conducted using a documentary study and systematic literature mapping. To ensure the validity of the qualitative interpretation and the accuracy of the evaluation of this waqf institution's sustainability parameters, the researcher adopted theoretical document triangulation and qualitative, non-parametric sustainability evaluation criteria (Nyumba et al., 2018; Fallah and Ocampo 2021). All data on business units (La Tansa and waqf rice fields) were cross-validated using a triangulation approach against the pesantren foundation's constitution to ensure reliability.

The data analysis process employed Critical Comparative Analysis techniques through deductive reasoning, following these steps:

1. **Deconstruction Phase:** Analyzing the circulation of conventional monetary leakage in the Keynesian multiplier formula, triggered by the presence of the bank interest rate variable and agent heterogeneity.
2. **Flow Mapping Stage:** Constructing a closed-loop reconstruction of the collection and redistribution of commercial surpluses from real business units by YPPWPM Gontor.
3. **Comparative Synthesis Stage:** Contrasting the characteristics of the two models in a structural comparison matrix to map how the pesantren's protective waqf-based circulation model can minimize monetary leakage and act as a complement to sustainable fiscal policy.

This study adopts a qualitative, exploratory approach with a critical literature review and an institutional case study design. The author acknowledges the absence of primary empirical data or field surveys in this paper. However, this

omission is intentional and methodologically justified, as the primary objective of this research is to conceptually and epistemologically reconstruct the macro-multiplier framework (Choudhury, 2006). To ensure structural validity, this study uses formal institutional secondary data, including the University of Darussalam Gontor's official financial narratives and strategic endowment documents (Djayusman, 2026). Furthermore, rather than employing econometric estimations, this paper utilizes an *Analytical Scenario Simulation*, a methodology aligned with Gassouma and Benhamed (2023), to verify the behavior of the proposed Waqf Multiplier mathematically K_w under varying institutional leakages and real-sector return constraints.

Result

This chapter presents research findings by describing secondary findings from the theoretical literature and institutional data from the case studies, without including the researcher's subjective interpretations or analyses.

Findings on the Structural Limits of the Conventional Fiscal Multiplier

Based on a review of the macroeconomic literature, the standard Keynesian multiplier formula faces three major empirical constraints in practice:

1. **Heterogeneity in MPC Values:** Disaggregated data show that the Marginal Propensity to Consume (MPC) does not remain at a single stable value, but varies sharply across income groups (low-income groups have a high MPC, while high-income groups have a low MPC) and fluctuates over time due to the risk of unemployment (Brady, 2020).
2. **Inconsistencies in the New Keynesian Model:** Findings indicate the existence of a structural trilemma within the standard New Keynesian framework, in which the real empirical MPC, the public's income response, and the magnitude of the long-run multiplier cannot be simultaneously reconciled without complex heterogeneous-agent models (Auclert, Bardoczy, and Rognlie 2021; Spector, 2024).
3. **Monetary Leakages and Stability Risks:** Empirical data confirm the occurrence of liquidity outflows (leakages) from the real production sector into speculative financial instruments based on commercial interest rates (fractional reserve banking). Furthermore, fiscal stimulus spending funded through sovereign debt issuance has been shown to trigger stability issues, including demand-pull inflation and multiple-equilibria phenomena, that can erode the real value of the multiplier itself (Fiuratti et al., 2025).

Findings on the Operational Structure of Gontor's Protective Business Model

Institutional data from the Foundation for the Maintenance and Expansion of the Endowment of Pondok Modern Darussalam Gontor (YPPWPM) reveals an endowment fund management architecture organized into a closed-loop capital cycle:

1. **Productive Assets in the Agricultural Sector:** YPPWPM owns and manages waqf assets in the form of large-scale productive rice fields. Operational data show that the surplus from these yields supports the institution's internal food security and local market supply, generating additional liquidity (Jamal et al., 2022).
2. **Commercial Assets of the La Tansa Cooperative Retail Network:** This retail business network manages supermarkets, bookstores, garment factories, bottled Water plants, and microfinance units. These units specifically tap into the purchasing power of the internal consumer base (tens of thousands of students, teachers, parents, and alums) (Jamal,

Syamsuri, and Zahro 2023).

3. **Surplus Distribution Policy:** The foundation's financial reports confirm a strict rule: no profit distribution (dividends) is made to individual managers or capital owners. The entire net surplus (100%) is allocated to two main categories: reinvestment for the expansion of new business units, and full cross-subsidization for educational operational costs, the development of academic facilities, and the welfare of teaching staff (Arroisi & Syamsuri, 2020).

To summarize the preliminary findings of the comparison regarding the characteristics of capital circulation in these two economic models, the data are summarized in Table 1 below:

Evaluation Parameters	Keynesian Multiplier Framework	Waqf-Based Productive Model (Gontor)
Key Drivers	Debt-driven aggregate consumption (Debt-driven MPC)	Asset-backed real sector production (Asset-backed)
Capital Leakage Components	High (Flowing into bank interest and the speculative sector)	Very Low (Profits locked into the foundation)
Primary Sources of Funding	Sovereign Debt	Public Endowment Funds & Accumulated Operating Surpluses
Prerequisites for Success	Stability of Aggregate MPC	<i>Strong Governance & Institutional Legal Reforms</i>

Table 1. A Comparison of the Characteristics of Conventional Fiscal Flows and the Productive Waqf Model in Islamic Boarding Schools

Discussion

The Epistemological Flaws of the Keynesian Multiplier and The Institutional Urgency of Islamic Financial Stability

The conventional Keynesian multiplier framework inherently assumes that public deficits, stimulus payments, and interest-bearing debt can smoothly restore economic equilibrium by accelerating aggregate demand (Osuoha, 2022; Brady, 2020). While some empirical insights suggest that fiscal injections matter in specific developing contexts (Kingu, 2024) or in localized regional funding (Fiuratti et al., 2025), modern macroeconomic realities impose deep structural limitations. In a fractional reserve banking system, a substantial portion of fiscal stimuli leaks (λ) into speculative monetary sectors rather than fertilizing real-sector capacities. This fundamental instability is heavily criticized by Ghassan and Krichene (2025), who mathematically demonstrated that interest-based financial architectures cause liquidity to aggregate around speculative financial instruments, thereby crowding out real productive investments.

Furthermore, the New Keynesian literature exposes a theoretical trilemma between marginal propensities to consume (MPCs) and structural multipliers (Auclert, Bardoczy, and Rognlie 2021). The intertemporal dynamics of the Keynesian cross indicate that conventional fiscal multipliers face severe diminishing returns when macroeconomic uncertainty and unemployment risks arise (Auclert, Rognlie, and Straub 2024; Iao, 2024). In times of crisis, the aggregate multiplier shrinks because redistribution policies and consumption networks face highly fragmented, volatile, and heterogeneous MPCs across different income classes (Spector, 2024; Beraldi and Malgieri, 2024). Therefore, relying on debt-driven multiplier-accelerator models in the 21st century is epistemologically flawed as it

fails to capture non-inflationary, real asset-backed stability (Mourão & Popescu, 2023).

To achieve genuine macroeconomic resilience, a paradigm shift toward an interest-free ($r = 0$) framework is structurally urgent, substituting nominal interest variables with the real-sector rate of return (Awad, 2021). By locking liquidity within a production-backed circuit, the economy avoids systemic debt accumulation (Choudhury, 2006). On a macro scale, empirical evidence confirms that integrating such Islamic institutional mechanisms and banking developments significantly stabilizes output growth across Muslim countries, offering a smooth transition framework during global uncertainty (Mensi et al., 2020).

The Mechanics of Waqf Multiplier Effect

In contrast, the waqf-based Protective Business Model implemented at Gontor addresses this economic leakage through the Waqf Multiplier Effect. (K_w). This multiplier effect based on productive waqf can be conceptualized using the following formula:

$$K_w = \frac{1}{1 - \alpha(1 - \lambda)}$$

Where α represents the rate of return on the management of real waqf assets, whereas λ is the coefficient of monetary leakage out of the foundation's ecosystem. Under YPPWPM's management, capital circulation is locked into a closed-loop production cycle (Arroisi and Syamsuri, 2020; Syamsuri et al., 2020). By eliminating bank interest instruments ($r = 0$) By focusing La Tansa's business units and the agricultural sector on capturing the community's internal purchasing power, Gontor has reduced capital outflow from the institution's ecosystem to near zero. ($\lambda \approx 0$) When the value $\lambda \approx 0$, then the denominator of the formula becomes smaller, which mathematically means the value of the endowment multiplier (K_w) will reach its optimal peak accumulation. The economic surplus, which typically leaks out as dividends to capitalist corporations, is here returned 100% to fund the education sector and human capital investment.

To understand its macroeconomic scalability, this productive waqf architecture relies on a crucial dual-function principle: price reduction (*subsidi silang*) and profit optimization (Triyawan, 2023; Umam et al., 2023). At the University of Darussalam (UNIDA) Gontor, this dual mechanism evolved into a structurally operationalized **GO.PRO (Giving, Optimizing, Protecting)** framework (Djayusman, 2026). The *Giving* phase represents the absolute spiritual conversion of wealth into communal assets, removing private rent-seeking from baseline operational costs (Umam et al. 2023; Arroisi & Syamsuri, 2020). The *Optimizing* phase focuses on expanding modern corporate business units such as UNIDA Mart, Wise Canteen, and the Malukah Group, driven by professional Waqfun Nafsi, to capture internal consumer purchasing power (Djayusman 2026; Jamal et al., 2022). The *Protecting* phase secures these surpluses within a closed loop, driving the financial leakage close to zero ($\lambda \approx 0$).

An Analytical Scenario Simulation demonstrates that if a small-scale *pesantren* strictly implements this *Protecting* mechanism. ($\lambda \approx 0$), the multiplier formula simplifies to $K_w = \frac{1}{1 - \alpha}$. Assuming a conservative real-sector rate of return (α) of 20% (0.20), the coefficient becomes:

$$K_w = \frac{1}{1 - 0.20} = 1.25$$

This mathematical proof rejects the skepticism that the model applies only to giant institutions. Historically, Gontor began this tradition with a humble, micro-scale asset base of only 1.74 hectares of housing land and 16.851 hectares of rice

fields. Through multi-generational consistency in managing real-sector productivity, this *closed-loop* model successfully flipped the conventional educational financial structure (Uula, 2023). Today, productive *Waqf Income* serves as the primary backbone, accounting for **53%** of UNIDA Gontor's total operating revenue, outperforming student tuition fees (*Tuition Fee*), which stand at **44%**. This performance exceeds that of elite global institutions like Harvard University, which finances 46% of its operations through secular endowments, Oxford University at 7.8%, and Cambridge University at 4% (Harvard University n.d.).

Therefore, a structural distinction must be highlighted between the traditional boarding-school-scale waqf model and the higher-education-scale waqf development (Arroisi & Syamsuri 2020). This transition is not a substantive deviation; rather, it directly fulfills the strategic milestones embedded in the historical 1958 Waqf Pledge, which explicitly mandated establishing a high-quality, high-tier Islamic University as its ultimate developmental goal.

However, we cannot claim that the endowment-based perpetual fund model is the “only” solution for macroeconomic stability; rather, it serves as a highly resilient, long-term complement to the state’s fiscal policy. Replicating this protective model at the macro level faces significant challenges, including fragmented legislation, weak stakeholder incentives, and limited public awareness. Therefore, the Waqf Multiplier's full potential will be realized only with strict institutional prerequisites: waqf law reform, radical transparency, and strong, professional waqf governance and management by the Nazhir. In Islamic macroeconomics, redistributive instruments such as zakat serve a short-term function in controlling wealth ownership and alleviating immediate poverty. Meanwhile, waqf plays a long-term role by providing sustainable endowment funds that continuously convert surplus production in the real sector into strengthened human capital. This synergy builds robust economic resilience against external shocks, offering a smooth transition framework amid global uncertainty (Mensi et al., 2020).

Conclusion

This study deconstructs the systemic limitations of the Keynesian Multiplier Framework through contemporary macroeconomic analysis and empirical evidence from Islamic social finance institutions. Theoretical findings indicate that the conventional multiplier model suffers from structural failure due to the neglect of heterogeneous Marginal Propensities to Consume (MPC) across income classes and intertemporal risks within the New Keynesian cross. Furthermore, the conventional economy’s entanglement with interest-based banking architectures triggers massive monetary leakages (λ), whereby liquidity from fiscal stimulus is drawn into speculative sectors rather than expanding the real sector’s supply capacity. Consequently, this chronic reliance on debt-driven stimulus generates long-term macroeconomic fragility and diminishing returns on conventional multipliers.

As a structural solution, this study demonstrates the mechanics of the Waqf Multiplier Effect (K_w) through the Protective Business Model operated by the Foundation for the Maintenance and Expansion of the Darussalam Gontor Modern Boarding School Waqf (YPPWPM). By managing real-sector productivity across agriculture, retail logistics (La Tansa Group), and higher education (UNIDA Gontor), this closed-loop capital circulation system drives the monetary leakage coefficient close to zero. Crucially, this research shows that the model scales from micro-scale boarding school traditions to higher education institutions through the **GO.PRO (Giving, Optimizing, Protecting)** framework. Empirically, this protective

mechanism enables productive waqf income to generate **53%** of UNIDA Gontor's total operating revenue, outperforming its tuition fees (**44%**) and demonstrating higher fiscal resilience than elite global endowments like Harvard and Oxford.

Nevertheless, this paper notes that endowment-based perpetual funds serve as a highly resilient long-term complement to state fiscal policy rather than a sole solution. Replicating this closed-loop model on a broader macroeconomic scale demands strict institutional and regulatory prerequisites. Therefore, regulatory authorities and waqf trustees (*nazhir*) are advised to initiate integrated legal reforms and adopt advanced digital transparency to minimize informational asymmetry. Furthermore, future academic research should focus on developing quantitative econometric models of heterogeneous agents to measure the magnitude of the Waqf Multiplier Effect precisely (K_w) across diverse institutional scales.

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