Assessing The Feasibility of An Integrated Islamic School: A Case Study of Mustafa School In East Jakarta

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Abstract.

The screening of the viability of educational ventures in developing economies poses special challenges that demand the combination of many analytical perspectives. Although strategic management and financial evaluation frameworks are two distinct fields, little study has shown how the two frameworks are systematically combined to apply in educational entrepreneurship. This paper presents and empirically validates an overall feasibility model incorporating resource-based perspective (VRIO analysis), market validation approach, capital budgeting techniques and multi-scenario risk analysis. The model is used to assess the proposal to establish an integrated Islamic school in East Jakarta, Indonesia that is a booming education market where the network of JSIT schools has grown by 100 to more than 2,300 schools since 2003. Based on the mixed-method approach and purposive sampling of five information-rich cases and secondary data gathering within the government statistics, the study indicates the use of the framework in four dimensions of feasibility. Results indicate: (1) market feasibility was confirmed by the use of thematic analysis, which indicated that 100 percent of respondents cited commute burden as a critical pain point with 80 percent high purchase intent; (2) organizational feasibility was confirmed by the use of VRIO-identified sustained competitive advantages debt-free capital structure and secured strategic location; (3) financial feasibility was confirmed by NPV of IDR 8.93 billion, IRR of 26.28 percent exceeding 14 percent WACC, 4.83-year The study is a contribution of an operationalizable integrated model between theory of strategic management and financial evaluation practice on assessment of educational venture in new markets.

Keywords: *Integrated Feasibility Framework; Educational Entrepreneurship; VRIO Analysis; Capital Budgeting and Emerging Markets.*

I. INTRODUCTION

The use of educational entrepreneurship in new markets has attracted a lot of academic interest as the new economies are recording a tremendous growth in the middle-class population that requires quality education [1]. Nevertheless, the literature also shows a gap in methods, where strategic management frameworks are (e.g., VRIO, PESTEL) and financial analysis approaches (e.g., NPV, IRR) well established on their own, but their systematic combination to evaluate educational ventures is not well investigated to date [2,3]. This fragmentation presents practical issues to the entrepreneur and investors who have to operate through complicated feasibility issues that include market validation, organizational capability evaluation, financial viability, and risk analysis.Resource-based view (RBV) hypothesizes that the competitive advantage is sustained by resources which are valuable, rare, inimitable, and supported by the organization [4]. Whereas the RBV has been widely used in the developed industries, there is a lack of RBV application in educational venture viability especially in emerging market settings. Equally, capital budgeting literature offers sound financial assessment tools [5], but their incorporation with strategic analysis of pre-venture assessment do not entail systematic structures.

The proposed research fills this gap by creating and empirically testing a synthesized feasibility framework that will connect the strategic management theory with the financial evaluation practice.The integrated Islamic education sector in Indonesia offers the perfect empirical setting. The segment has seen a phenomenal growth and Jaringan Sekolah Islam Terpadu (JSIT) system was growing to about 100 schools in 2003 and as of 2022, it had increased to more than 2,300 schools [6]. This expansion is indicative of increased demographic changes: the newly-emerging middle-income Indonesian community is seeking tertiary educational institutions that provide an international academic quality with a strong Islamic

orientation [7]. But there is still uneven distribution geographically. The largest urban areas are South and Central Jakarta where premium integrated Islamic schools are concentrated and East Jakarta which was the most densely populated municipal with 3.25 million people and 550,000 school-going children have not been served adequately [8], which leaves room to enter the market as a strategic option.

Table 1. Growth of JSIT-Registered Schools (2003-2022)

Year	Number of Schools
2003	100
2008	500
2013	1,200
2018	1,800
2022	2,300+

Source: JSIT Indonesia [6]

The study provides an answer to four research questions: (RQ1) How can market feasibility be systematically evaluated of educational ventures in emerging markets? (RQ2) Which ways does VRIO analysis help to determine sustainable competitive advantages in the context of educational entrepreneurship? (RQ3) How well do financial measures assess the viability of education ventures? (RQ4) What can sensitivity and scenario analysis tell us about risk assessment of educational investments? By answering these questions through a case study of the setting up of the Mustafa Integrated Islamic School in East Jakarta, the study provides a unified, generalizable model of educational venture feasibility review that can be applied to any emergent market setting.

II. THEORETICAL FRAMEWORK AND METHODS

A. Integrated Feasibility Framework Development

The four theoretical perspectives incorporated in the proposed framework are established. First, the external environment analysis will use PESTEL framework [9] to analyse the macro-environmental factors (political, economic, social, technological, environmental, legal) that affect the dynamics of the educational sector. Second, the internal analysis will use the VRIO framework of resource-based view [4,10], which will systematically assess that organizational resources are Valuable, Rare, Inimitable, and Organizationally supported factors that define the sustainability of competitive advantage. Third, market feasibility test is done according to Barringer and Irons [2] entrepreneurship model, which includes industry analysis, target market identification, TAM-SAM-SOM market sizing, competitor benchmarking and customer validation.

Fourth, financial feasibility uses capital budgeting methods [5,11] such as Net Present Value (NPV), Internal Rate of Return (IRR), Payback Period (PBP) and Profitability Index (PI), and supplemented by sensitivity analysis and scenario analysis of risks.The logic of integration used in the framework is sequential: PESTEL analysis defines the contextual parameters, in which the venture will function; VRIO analysis determines available internal resources with the potential of competitive advantage; market feasibility establishes the existence of the demand and competitiveness; financial feasibility measures the level of returns and the feasibility of the investment; and risk analysis usability tests the projections in different conditions. Such a series of integrations makes sure that the strategic and financial perspectives are informed in a systematic manner.

B. Research Design and Methods

In this research, an explanatory single-case design is used [12], which is suitable in the investigation of complicated phenomena that demand multisource evidence and when the major purpose of the study is testing theoretical frameworks. Mustafa Integrated Islamic School, the case of establishing the school by converting a former food court of 5,000 m 2 in Condet, East Jakarta was chosen because it contains sufficient information: it is a typical decision of an educational venture in an emerging market growth segment, large capital commitment (IDR 10.5 billion) is involved, and gaps in the market were documented. The purposive sampling that was used as the primary data collection technique identified cases that had rich information that could be used during the in-depth qualitative interviews [13].

The five participants were recruited on four criteria: (1) they will be living within target catchment area (Condet, Kramat Jati, Pasar Rebo); (2) they will have upper-middle socioeconomic status that aligns

with target market; (3) the children of preschool or primary school age; (4) and they will be interested in quality Islamic education. The sample size used is consistent with the qualitative research criteria that recommend the use of 5-25 individuals in the case of the phenomenological research that attains thematic saturation [14]. The length of the interview was 40-55 minutes, which occurred in October 2025. The land owner and educational consultant were interviewed again to assess the possibility of the organization.

Table 2. Interview Participant Profile

ID	Residence	Children	Current School	Profession	Duration
P1	Balekambang, Condet	2	South Jakarta Islamic School	Entrepreneur	40 min
P2	Balekambang, Condet	1	Seeking SD enrollment	IT Professional	50 min
P3	Batu Ampar, Condet	3	Central Jakarta IB School	Corporate Executive	45 min
P4	Pasar Rebo	2	National Plus (South Jakarta)	Dentist	55 min
P5	Kramat Jati	1	Seeking TK enrollment	Interior Designer	50 min

Source: Primary Data (October 2025)

Government statistical reports (BPS DKI Jakarta), industry sources (JSIT Indonesia), financial databases (Bank Indonesia, Damodaran) and competitor analysis were chosen as secondary sources of data. Thematic analysis was conducted on the qualitative data according to the six stages of Braun and Clarke [15]: familiarity, initial coding, searching, reviewing, defining, and producing report. The standard capital budgeting techniques were applied to financial analysis after which the discount rate was computed by applying Capital Asset Pricing Model (CAPM) and using the Indonesian market parameters.

III. RESULT AND DISCUSSION

A. Market Feasibility Assessment (RQ1)

PESTEL analysis showed positive macro-environmental factors: the government favourable policy to the development of the private education; the increase in the number of middle-class residents with more financial capacity to spend on education; the increase of social demand towards values-based education among the Muslim population; the adoption of technology that allows delivering classroom lessons; and the availability of easy paths to the establishment of the school according to UU No. 20/2003 and the foundation requirements as on the UU No. 16/2001 amended by UU No. 28/200 Market sizing was done using TAM-SAM-SOM methodology [16]. The East Jakarta TAM consists of 550,520 children of school-going age (ages 5-14) [8].

The calculation of Serviceable Available Market (SAM) was made at 27,526 of children of upper-middle income Muslim families within the range of practical commuting (demographic filtering of income level, top two quintiles) and religious composition. Serviceable Obtainable Market (SOM) is related to gradual increase of capacity up to 505 students after the founding of 70 students in ten years under assumption of a conservative market penetration.The competitor benchmarking showed that premium integrated Islamic schools in South Jakarta were concentrated geographically. The price set by the first-year costs of leading competitors (Al Jabr, Dar Syafii, Al-Wildan) is between IDR 74-80 million, which places Mustafa at a competitive price as well as with proximity advantages to East Jakarta families who now spend 2.5-4+ hours to go to work, as well as 2.5-4+ hours to go to school.Thematic analysis of customer interviews revealed that there were three major themes that reached the level of saturation among all five participants:

Table 3. Thematic Analysis Results

Theme	Description	Frequency	%
Commute Burden	Long commute times (2.5-3+ hours daily) causing child fatigue, family stress, productivity loss	5/5	100%
Values Imperative	Unwillingness to sacrifice Islamic character formation for academic quality; seeking integrated approach	5/5	100%
Holistic Investment	Willingness to pay premium for education solving both academic excellence and Islamic formation needs	4/5	80%

Source: Primary Data Analysis (October 2025)

The commute burden theme had been brought up repeatedly, with the participants indicating that they would spend between three hours (P1, P3) and more than four hours (P4) daily on commute. This was directly related to fatigue induced by commute-to-work links, which were seen by P3, a company manager,

linking them to poor academic performance: Fatima sudah mulai menunjukkan tanda-tanda fatigue. Tidurnya kurang, konsentrasinya turun" [Fatima is tired of signs. She has inadequate sleep; she is poor at focusing]. The financial implications were also huge P4 estimated the total commute expenses of above IDR 72 million per annum. This theme confirms the geographic distance used as the competitor analysis results and makes commute burden the pain point to be acted upon.Concept testing has produced high validation scores: 100% customer interest, unanimous high product desirability scores, 80% high product purchase intent (80 or more), and 100% product price acceptability. The purchase intent of 80 percent is higher than the 70 percent mark of Barringer and Ireland [2] as strong market potential.

B. Organizational Feasibility and VRIO Analysis (RQ2)

VRIO analysis systematically evaluated organizational resources against four criteria [4,10]. Table 4 presents the assessment results, identifying two resources achieving sustained competitive advantage status.

Table 4. VRIO Analysis Summary

Resource	V	R	I	O	Competitive Implication
Debt-free Capital (IDR 10.5B)	✓	✓	✓	✓	Sustained Competitive Advantage
Strategic Location (5,000 m²)	✓	✓	✓	✓	Sustained Competitive Advantage
Cambridge-Islamic Integration	✓	✓	-	✓	Temporary Competitive Advantage
Founding Team Local Knowledge	✓	-	-	✓	Competitive Parity

Note: V=Valuable, R=Rare, I=Inimitable, O=Organized; ✓ = criterion met; - = criterion not met

The debt-free capital structure (IDR 10.5 billion equity by the founding family) meets all four VRIO criteria: valuable because it does not have the debt service obligation to enrol in new environments; rare because most education enterprises have to be run by debt; imitable because of the historical circumstances (family wealth accumulation) and social complexity (family commitment to the educational mission); and supported by the organization because it has a formal structure of foundation (yayasan) governance. This resource will allow competitive positioning of salaries in recruiting teachers and flexibility in operations at an early stage of development.The competitive advantage is also acquired as the secured 5,000 m 2 strategic location attains the status of sustainable competitive advantage. The strength of it lies in its direct response to the commute burden pain point which has been validated that was the area in Condet which serves the underserved East Jakarta market.

Rarity is related to the lack of access to appropriate pieces of educational land in populated urban Jakarta. The sources of inimitability are unique historical circumstances (territorial family ownership of the past commercial property) and path dependence (developed local ties). The evidence of organizational support is expressed in the formal commitment to hand over the property to the establishment of the educational foundation.The strength of management capability evaluation revealed sufficient founding team strengths: established dedication by allocating the site; market understanding by previous entrepreneurial activity in the area; professional governance scheduled by yayasan structure with Principal recruitment to be done in Q2 2028, a year and a half before the start of the operations. Resource sufficiency analysis ensured that it had the necessary human, physical, legal, and intellectual resources needed to launch with projections of staffing of between 17 staff in Year 1, and 81 staff at full capacity.

C. Financial Feasibility Assessment (RQ3)

A 10-year projection of the financials was formulated, with the help of competitor benchmarking, market research and stakeholder consultations. Total start-up cost includes IDR 10.5 billion which includes: site renovation and construction (IDR 5.0 billion, 47.6%); MEP systems (IDR 1.2 billion, 11.4%); classroom furniture and equipment (IDR 0.85 billion, 8.1%); IT infrastructure (IDR 1.1 billion, 10.5%); sport and recreation facilities (IDR 0.45 billion, 4.3%); Islamic facilities (IDR 0.5 billion,The sources of revenue are registration fees, enrolment fees (PPDB), monthly tuition (SPP), and extravagant services (after-schools activities, holiday camp, cafe, bookstore). Early forecasts of enrolment have been based on the conservative growth of 70 starting students in Year 1 to reach 505 students full capacity in Year 9. Operation costs were organized in line with the National Education Standards Board (BNSP) categories where the personnel costs at 35% of revenue constituted the major variable.CAPM was used to obtain discount rate (WACC) with the

following parameters; risk-free rate, 6.14% (Bank Indonesia), equity risk premium, 8.00% (Damodaran emerging markets), and sector beta, 0.98 which has given cost of equity and WACC at 14.00%.

Table 5. Capital Budgeting Results

Metric	Value	Threshold / Result
Net Present Value (NPV)	IDR 8.93 billion	> 0 ✓ Feasible
Internal Rate of Return (IRR)	26.28%	> 14% WACC ✓ Feasible
Payback Period (PBP)	4.83 years	< 10 years ✓ Feasible
Profitability Index (PI)	1.85	> 1 ✓ Feasible
Break-even Enrollment (Year 1)	58 students	17% safety margin vs 70 projected

Source: Author's Calculation (2025)

All the four capital budgeting metrics are above their respective thresholds, which is a confirmation that it is financially viable. The NPV is positive with IDR 8.93 billion and it shows that the project will create high value beyond the expected 14% rate of return in the projection time. The risk-adjusted returns are appealing with the IRR of 26.28 percentage points on top of WACC by 12.28 percentage points. The PI of 1.85 means that a single IDR 1 of investment will produce IDR 1.85 of the present value returns, which will generate the value of IDR 0.85 per single rupiah. Break-even analysis will enable determination of viability of operations: 58 students needed versus 70 projected in Year 1 will give 17% safety margin.

D. Risk Analysis (RQ4)

A sensitivity analysis with variations of plus and minus 20 percent showed that key variables that could affect NPV include Tuition Fees (±236.5 percent), Operating Expenses (-193.0 percent), Enrolment (-159.3 percent), and Discount Rate (-30.8 percent/+37.8 percent). These results point to the power of tuition pricing as the most imperative success factor a 20 percent reduction in tuition fees would decrease NPV by 236.5, which may pose a risk to the viability of the project. On the other hand, the project is relatively robust to changes in discount rates and this implies that variations in financing costs are less risky.

Table 6. Scenario Analysis Results

Metric	Pessimistic	Base Case	Optimistic
Assumptions:	-3% enroll, -2% tuition, +3% OPEX	Base projections	+10% enroll, +5% tuition, -5% OPEX
NPV (IDR billion)	1.98	8.93	27.26
IRR	17.20%	26.28%	43.61%
Payback Period (years)	6.08	4.83	3.39
Profitability Index	1.19	1.85	3.60
Feasibility	**✓ Feasible**	**✓ Feasible**	**✓ Feasible**

Source: Author's Analysis (2025)

Scenario analysis ensures the project strength under all the conditions that have been tested. The project retains under pessimistic assumptions of lower enrolment (-3%), tuition fees (-2%), operating expenses +3%), positive NPV (IDR 1.98 billion); IRR greater than the WACC (17.20% vs 14.00%); payback within a reasonable range (6.08 years < 10 years); and PI greater than one (1.19 > 1). Every scenario illustrates viability in all the four capital budgeting measures that show that the project has a large degree of safety against unfavourable market environments.

E. Theoretical and Practical Implications

This paper has a number of theoretical contributions. To begin with it illustrates the possibility of applying resource-based theory to the context of an entrepreneurial venture with the operationalization of RBV and VRIO analysis in order to pre-evaluate the feasibility of a venture. The observation that capital structure of debt-free and location are associated with the sustained status of competitive advantage implies that these resources might be especially useful in new market education projects that face a serious threat of capital restrictions and location inaccessibility.Second, the incorporated framework fills the strategy-finance gap literature on venture assessment. The framework shows how strategic analysis and financial analysis can be systematically integrated rather than being used as two independent exercises: competitive advantages identified by VRIO can be directly reflected in the financial forecast assumptions (e.g., no debt structure allowing competitive pay); the themes that have been identified as part of market validation can be directly used to justify the strategic differentiation strategy (ex: commute burden); sensitivity analysis helps to identify the strategic variables to be controlled with the highest level of attention.

Third, the paper has provided an addition to literature on educational entrepreneurship by showing feasibility assessment methodology in an emerging market segment with a high growth rate. Although particular to Indonesia, the Islamic integrated education model has features in common with the values-based education movements in other countries (e.g. faith-based schooling, character education, adoption of international curriculum), which implies the possible applicability of the frameworks.Educational entrepreneurs and investors can gain a lot regarding practical implications. It is a systematic methodology of feasibility assessment based on a replicable framework incorporating various analytical lenses. The outcomes of the sensitivity analysis provide certain guidance: the pricing power of tuition (±236.5% NPV impact) and the cost control (∓193% NPV impact) are the most critical areas that the management should focus on. The fact that every situation, such as pessimistic, is shown to be viable, gives the decision-makers an assurance of a project soundness, and marking out the boundary conditions that need to be tracked.

IV. CONCLUSION

The study has designed and experimentally tested a collective feasibility framework of evaluating educational venture in the emerging markets. The framework, applied to the setting up of Mustafa Integrated Islamic School in East Jakarta, Indonesia, was a systematic way of evaluating the feasibility through four dimensions, and the research questions were answered in the following way:RQ1 (Market Feasibility): TAM-SAM-SOM analysis to confirm market feasibility is done based on substantial addressable market (550,520 school-age children), competitor benchmarking (geographic gaps) and customer validation (thematic saturation, 100% with commute burden as critical pain point, 80% with high purchase intent), which meets the threshold of 70% as per the benchmark.RQ2 (Organizational Feasibility): VRIO analysis revealed two resources that attained sustainable competitive advantage: debt free capital structure (IDR 10.5 billion equity) and secured 5,000 m 2 strategic location. They both meet valuable, rare, inimitable and organizationally supported attributes, which offer ground on competitive differentiation.RQ3 (Financial Feasibility):

The 4 metrics used to determine the financial feasibility all indicate it to be feasible: NPV of IDR 8.93 billion (>0), IRR of 26.28% (>14% WACC), Payback Period of 4.83 years (<10 years), and Profitability Index of 1.85 (>1). Break even enrolment of 58 students as compared to 70 projected gives 17 factor safety margin.RQ4 (Risk Analysis): Sensitivity analysis found tuition fees to be of most importance (±236.5% NPV impact), then operating expenses (-193%), and enrolment (-159.3%). The scenario analysis validates the project healthiness even in the worst-case scenario, all the metrics remain above the feasibility mark (NPV IDR 1.98 billion, IRR 17.20%, PBP 6.08 years, PI 1.19).The main contribution of the study will be the integrated framework of feasibility in itself, as it shows the systematic combination of the strategic management theory (PESTEL, VRIO) with the financial analysis practice (NPV, IRR, PBP, PI) in the assessment of an educational venture. The model can be duplicated in the situation of emerging markets where educational entrepreneurs must make comparable feasibility choices.

Limitations and Future Research

There are a number of limitations that should be mentioned. To start with, the qualitative sample of five respondents, though reaching the thematic saturation, cannot generalize statistically; further studies can use larger, quantitative surveys to confirm the identified themes. Second, the single-case design is suitable to test the framework, but cross-case analysis cannot be used; multi-case research in various emerging markets can strengthen external validity. Third, financial forecasts are always based on assumptions, which might not always come to pass; longitudinal research of actual and anticipated performance would enhance framework validation. Fourth, it may not be applicable to other markets direct, as the Indonesia-specific context may not reveal all the underlying methodological context that needs feasibility-related decisions.Future research opportunities pertain to: (1) application of framework to other educational segments (higher education, vocational training) and geographic contexts; (2) longitudinal research to compare pre-venture projections against actual performance of operations; (3) quantitative confirmation of VRIO criteria in education venture settings; (4) comparison of feasibility frameworks across different institutional contexts of different emerging markets.

V. ACKNOWLEDGMENTS

The author is happy to recognize Dr. Dina Dellyana, S.Farm., Apt., MBA., CIM., CSM., CPC. as the person who supervised and guided her through this type of research. Interview participants are appreciated with their time and input, the founding family of Mustafa School is as well due to research access and collegial support was given by ENTRÉE 27 cohort at School of Business and Management, Institut Teknologi Bandung.

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