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Strengthening Islamic Financial Literacy As An Effort To Increase Community Investment Interest In Sukandebi Village

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Abstract

Low levels of understanding of Islamic financial literacy remain one of the main factors limiting community participation in Islamic financial activities, particularly in rural areas where many livelihoods depend on agriculture and plantations. A similar situation was found among residents of Sukandebi Village, Naman Teran District, Karo Regency, who generally had limited knowledge of the fundamentals of Islamic investment and its instruments. This community service activity aimed to strengthen residents' Islamic financial literacy, introduce the concepts and benefits of Islamic stock investment, and encourage community participation in investments that comply with sharia principles. The activity was conducted through a seminar and question-and-answer discussion session on 11 August 2026 and involved residents of Sukandebi Village. The material covered the basic concepts of Islamic financial literacy, simple household financial management, an introduction to Islamic banking products, and the fundamentals of Islamic capital-market investment. Participants demonstrated high interest during the discussion sessions, although the program faced challenges related to limited time and differences in participants' educational backgrounds. The activity indicates that direct educational approaches through seminars can be an effective initial strategy for strengthening Islamic financial literacy in rural communities. Further activities should be continued through more consistent and practical mentoring.

Keywords: Islamic financial literacy; Islamic investment; Islamic capital market; community service; Sukandebi Village

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INTRODUCTION

Indonesia's economic development is closely related to efforts to strengthen community welfare and financial stability. Investment is one of the approaches that can support household financial planning and broader economic development. Indonesia has a large productive-age population, while the majority of its population is Muslim. This demographic and religious context provides considerable potential for increasing participation in investment through Islamic financial instruments. Islamic capital-market instruments offer an alternative for Indonesian communities, particularly Muslims, to invest in accordance with Islamic principles.

The Islamic capital market is based on sharia principles and is intended to ensure that transactions and investment activities avoid prohibited elements such as riba, gharar (uncertainty), and maysir (gambling). In Indonesia, the capital market is regulated by Law No. 8 of 1995 concerning the Capital Market, while Islamic capital-market activities are implemented with reference to sharia principles and relevant regulations. The existence of a predominantly Muslim population creates an important opportunity to expand financial inclusion through investment instruments that are consistent with Islamic values.

Strengthening Islamic financial literacy is therefore an important starting point for improving people's knowledge, skills, and confidence in managing money and making investment decisions appropriately. Islamic financial literacy is not limited to knowledge of financial products; it also concerns the ability to manage income and expenditure, plan financial needs, understand risks, and make decisions consistent with Islamic principles (Miko, 2023). In everyday life, financial management is a crucial element affecting the balance between income and expenditure. Individuals need to plan, organize, and control the use of funds to meet daily needs and reduce the possibility of financial difficulties (Ilyas et al., 2024). Poor financial management can contribute to household economic instability, increased debt burdens, and uncertainty in family welfare (Adiyanto et al., 2021).

Islamic financial capability plays an important role in improving the economic quality of life of communities. Dissemination of Islamic financial literacy information is not solely the responsibility of the government and financial institutions; educational institutions, especially universities, also have an important role as agents of education and social change (Bawazir et al., 2024; Evita Bela et al., 2023). Islamic finance emphasizes justice, transparency, honesty, and blessing in financial transactions. These principles distinguish Islamic finance from conventional finance, particularly in relation to the prohibition of riba, gharar, and maysir.

Financial planning is a vital aspect of understanding Islamic finance. Good planning enables individuals and families to achieve short- and long-term goals, including retirement preparation, children's education, and protection against unexpected

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economic risks (Hasan & Rachmad, 2024). Sound financial planning can also help communities avoid harmful debt practices, including high-interest debt (Wicaksono et al., 2023). In this context, Islamic financial understanding functions as an approach to developing financial-management systems that are sound, ethical, and sustainable.

A national study conducted in 2016 reported that the number of capital-market investors was still low, indicating limited public financial understanding. Islamic financial literacy is a concept introduced by the Financial Services Authority (OJK) for individuals who use Islamic financial products and services, with the objective of enabling communities to recognize and understand Islamic financial institutions and manage their finances according to Islamic principles, thereby improving quality of life (Airlangga et al., 2020). The source manuscript also cites more recent national literacy and inclusion measurements, including figures for Islamic financial literacy and inclusion, to illustrate the continuing gap between conventional and Islamic financial understanding.People living in Indonesian villages, whose incomes are largely derived from farming and plantations, face substantial challenges in maintaining economic stability. These sectors are vulnerable to external factors such as weather conditions, commodity-price changes, and international trade policies. When harvests decline or selling prices suddenly fall, household income can be disrupted. Under such conditions, the ability to manage finances becomes particularly important. Without short- and long-term financial planning, rural households may face difficulties in achieving major goals such as purchasing a home or paying for children's education.

Financial literacy also helps people understand more complex financial matters, including long-term financial planning, saving, investment, and risk sharing. Understanding how to manage finances over the long term can help individuals prepare for retirement. Regular saving is an important step in maintaining financial security, particularly in emergencies. By setting aside money routinely, people can prepare emergency funds for situations such as illness, job loss, or unexpected repair costs. Saving habits can also support the achievement of financial goals.

In rural areas, Islamic financial literacy can function as a means of translating religious teachings into productive economic activities while reducing dependence on informal financial systems that may carry risks. Rahmawati and Hidayat (2021) emphasize that improved understanding of finance based on local wisdom can strengthen community trust in modern instruments such as Islamic stocks, consistent with values of togetherness and prudence. The ability to understand and interpret financial information can therefore become a foundation for economic independence and help reduce the gap between rural and urban communities in the development of Islamic finance (Keuangan dan Dusun, 2025).

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Understanding income and expenditure through priority lists is essential for effective financial management. Individuals should learn to prepare monthly budgets that record income and planned expenditure. Priority lists help households fulfill essential needs before allocating funds to other spending. Because residents of Sukandebi Village had limited knowledge of Islamic capital-market investment, the community service activity was designed to provide an understanding of the benefits of Islamic stock investment and encourage participation in investment activities that comply with sharia regulations. Ultimately, the activity was expected to broaden community welfare and provide residents with more informed investment choices.

LITERATURE REVIEW

Islamic Financial Literacy

Financial literacy, in its broad meaning, refers to an individual's ability to understand and use information related to financial matters. Finance itself concerns how individuals, groups, companies, and institutions manage, allocate, and utilize financial assets over time while evaluating risks associated with financial activities and business decisions (Choerudin et al., 2023, cited in Modal et al., 2025). Financial literacy therefore includes the ability to analyze and use financial information in managing monetary resources, including planning, allocation, and efficient financial decision-making (Utami & Kusumahadi, 2024). It also involves recognizing financial opportunities and risks at the individual, group, and organizational levels in order to achieve short- and long-term financial objectives. According to Kojo Oseifuah (2010), financial literacy consists of three elements: financial knowledge, attitudes toward financial matters, and financial behavior.

Islamic Capital Market and Its Instruments

An Islamic capital market refers to a capital market whose mechanisms, including issuers, securities traded, and transaction procedures, are based on sharia principles. Islamic securities are instruments regulated in accordance with applicable capital-market law and implemented through contracts, corporate management, and issuance processes that comply with sharia principles. Based on DSN-MUI Fatwa No. 40/DSN-MUI/X/2003 concerning the Capital Market and General Guidelines for the Application of Sharia Principles in the Capital Market Sector, securities categorized as sharia instruments include Islamic stocks, Islamic mutual funds, collective investment contracts backed by Islamic assets, and other securities that comply with sharia principles.

Islamic financial instruments have continued to develop through subsequent fatwas, including DSN-MUI Fatwa No. 65/DSN-MUI/III/2008 concerning Sharia Pre-emptive Rights (HMETD), DSN-MUI Fatwa No. 66/DSN-MUI/III/2008 concerning Sharia Warrants, issued on 6 March 2008, and DSN-MUI Fatwa No. 69/DSN-MUI/VI/2008

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concerning Government Sharia Securities. The main instruments in the Islamic capital market include Islamic stocks, Islamic bonds (sukuk), and Islamic mutual funds (Yetty, 2021).

Islamic stocks represent shares in companies whose business activities comply with the applicable sharia criteria and are included in the Sharia Securities List (Daftar Efek Syariah/DES). Sukuk are sharia-based debt or bond instruments used by government entities and companies. Islamic mutual funds are collective investment products managed according to sharia principles. A strong understanding of these instruments can help individuals make more informed financial decisions, manage risk more systematically, and plan for the future.

Community Participation

Community participation refers to the active involvement of individuals in decision-making and planning processes that affect their interests (Darma et al., 2023). In economic contexts, participation includes involvement in investment activities, management of financial resources, and economic decision-making that can affect collective welfare. Community participation is important for strengthening local economies, expanding access to investment opportunities, and promoting inclusive economic growth.

METHOD

The community service program used a participatory educational approach through a seminar and discussion. The activity was designed to provide residents with practical and understandable information about Islamic financial literacy and investment. Community participation was emphasized so that residents could ask questions, express opinions, and share experiences related to household financial management and investment.

The seminar was held on 11 August 2026 in Sukandebi Village, Naman Teran District, Karo Regency, North Sumatra, and was attended by residents living in and around the village. The activity was delivered directly by the community service team. The material was presented in a structured manner using language that could be readily understood by participants. The main topics included the basic concepts of Islamic financial literacy, household financial management, Islamic banking products, Islamic capital-market investment, types of Islamic investment instruments, benefits and risks of investment, and considerations before making an investment decision.

The implementation consisted of an opening session, delivery of educational materials, discussion and question-and-answer sessions, and a closing session. During the presentation, participants were encouraged to interact with the facilitators. The

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discussion stage provided an opportunity for participants to clarify information that was not yet fully understood and to share personal experiences or problems related to the seminar topics. The activity was evaluated descriptively through participants' involvement, questions, responses, and overall participation during the session.

RESULTS AND DISCUSSION

Implementation of the Islamic Financial Literacy Seminar

The community service activity was conducted as a seminar intended to provide residents of Sukandebi Village with knowledge and insight into Islamic financial literacy and investment. The activity created space for participants to ask questions, convey opinions, and share experiences. The seminar began with an explanation of the objectives of the activity, followed by the delivery of material relevant to the theme of Islamic financial literacy.

The material was delivered directly to the audience in a structured manner and in simple language. The facilitators also encouraged participants to interact throughout the presentation. This interaction was intended to improve understanding and participation. Through the seminar and discussion method, residents were expected to obtain knowledge that could be applied in their daily lives, particularly in managing household finances and considering investment opportunities.

Overall, the activity proceeded smoothly and received a positive response from the community. The seminar functioned not only as a medium for delivering information but also as a forum for interaction between the community service team and residents. Participants had the opportunity to expand their knowledge and discuss the application of Islamic financial principles in everyday life.

Participant Response and Learning Outcomes

Based on the activity results, the seminar provided meaningful benefits for improving participants' understanding. The participants demonstrated progress in understanding basic concepts of Islamic financial literacy, including the distinction between household and business finances and the recognition of several products offered by Islamic banks. This indicates that the activity provided both immediate educational benefits and a foundation for continued learning and greater economic independence.

The increase in understanding also illustrates the potential of participatory learning approaches to strengthen community awareness of financial planning and the management of small and medium-sized business activities. Participants showed enthusiasm during the discussion sessions and actively responded to questions. This

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participation suggests that direct interaction can help communities connect financial concepts with situations they encounter in everyday life.

At the same time, the activity faced several limitations. Participants had different levels of prior knowledge and educational backgrounds, while the available implementation time was relatively short. These factors affected the depth and pace of material delivery. To address these limitations, the implementation team used simple language, encouraged active questions and discussions, and provided examples of real situations that were consistent with Islamic teachings. Even so, the delivery method could not fully accommodate every participant's level of ability. Participants with lower educational backgrounds may require additional guidance and more practical follow-up activities.

Implications for Rural Islamic Financial Literacy

The results suggest that strengthening Islamic financial literacy in rural communities should not stop at one-time seminars. Direct education can serve as an initial step, but sustained mentoring is needed to help participants translate knowledge into practical financial behavior. Simple exercises in household budgeting, saving, identifying financial priorities, and understanding Islamic investment instruments can reinforce the knowledge introduced during the seminar. Continuous collaboration among village governments, educational institutions, financial institutions, and community groups can also support broader and more sustainable financial-literacy development.

CONCLUSION

The Islamic financial literacy seminar in Sukandebi Village was conducted as an effort to help the community understand the importance of managing finances and investing in accordance with sharia principles. Through material delivery and discussion, residents were introduced to the fundamentals of Islamic investment, different investment instruments, investment benefits, and risks that should be considered before making an investment decision. The activity showed that direct educational approaches through seminars can serve as an effective initial means of introducing Islamic financial and investment concepts to rural residents. The knowledge provided is expected to encourage residents to consider investment as part of their future financial planning while continuing to pay attention to security, risk, legality, and compliance with sharia principles. Strengthening Islamic financial literacy is therefore not merely a matter of increasing knowledge, but also an initial step toward helping communities manage income and make more informed financial decisions.

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RECOMMENDATIONS

Islamic financial literacy education should be continued so that residents do not only gain knowledge during a single seminar. Follow-up assistance can include simple financial-planning exercises, deeper explanations of Islamic investment instruments, and practical guidance on distinguishing investments that are safe and legally authorized from those carrying high risks or unclear licensing.

Residents are encouraged to be more careful before investing by understanding the characteristics, potential benefits, and risks of each investment instrument. Village governments, schools, universities, and other relevant institutions can contribute by organizing regular financial-literacy training so that Islamic financial literacy in Sukandebi Village continues to improve and can support better household financial management.

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