

Community Understanding Literacy Regarding Sharia Insurance In Samura Village, Kabanjahe District

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Abstract

Insurance literacy is a crucial aspect in helping the public understand the benefits, types, mechanisms, and protection provided by insurance. However, public understanding of insurance remains low, particularly among rural communities and groups with limited access to information. This study aims to describe the level of public understanding regarding insurance based on a review of previous research and findings from literacy activities conducted with merchants in Samura Village, Kabanjahe District. The study employs a descriptive-qualitative method using a literature review approach and field observations. Data were obtained from previous studies on insurance literacy among rural communities, Generation Z, and Sharia insurance, as well as from literacy activities involving five merchants in Samura Village. The review indicates that low insurance literacy is linked to limited information, education, and understanding of insurance benefits and mechanisms. Field findings reveal that out of the five merchants interviewed, only one understood insurance, while the other four lacked a proper understanding. These results demonstrate that direct education and outreach are still necessary to improve public understanding. Literacy activities need to be conducted in a simple, communicative manner tailored to the community's conditions and needs. By increasing insurance literacy, it is hoped that the public will understand the protective function of insurance and be able to consider insurance products that align with their needs and financial capabilities.

Keywords: insurance literacy, public understanding, merchants, rural community, Sharia insurance.

INTRODUCTION

Insurance is a type of financial protection that supports communities in dealing with various unexpected risks, such as illness, accidents, death, and other unforeseen events. The existence of insurance is vital because life risks can emerge at any time and create significant financial burdens for individuals or their families (Wangi & Darwanto, 2021). However, the presence of insurance products is not always accompanied by an adequate public understanding regarding the benefits, types, mechanisms, and provisions embedded in insurance policies.

Insurance literacy is a critical element in enhancing public knowledge. Insurance literacy involves not only knowing existing insurance products but also the ability to comprehend their benefits, risks, types, operational mechanisms, premiums, and policy provisions. Low literacy levels often result in public confusion regarding the true utility of insurance and difficulties in selecting products that match individual needs. Studies focusing on rural communities also demonstrate that knowledge regarding insurance remains minimal, particularly regarding benefits, categories, and mechanisms (Balqis & Nurdin, 2023).

The issue of low insurance literacy is not confined to rural populations but is also prevalent among younger generations. Nasyubin & Akhdani (2025) revealed that the lack of insurance literacy among Generation Z is driven by insufficient education, understanding, and information access regarding insurance. Consequently, structured socialization and educational programs are required to impart fundamental knowledge about definitions, categories, benefits, and the urgency of insurance for society. Efforts to boost literacy through direct educational intervention have demonstrated positive outcomes. Nurhayati et al. (2022), in an insurance literacy initiative in Samura Village involving MSME merchants, proved that training can significantly improve public comprehension of insurance. Paired sample t-test results indicated a significance value of $0.000 < 0.05$, establishing a statistically significant difference in knowledge before and after training. This indicates that direct literacy activities serve as an effective instrument in fostering community understanding of insurance. In the context of Sharia insurance development, literacy plays an equally pivotal role because the public needs to comprehend not only protection benefits but also the underlying principles and mechanisms aligned with Islamic jurisprudence. A study by Adisti (2025) indicated that social culture and digital marketing exert a significant impact on Sharia insurance literacy among Generation Z. This highlights that social environment and information access via



digital platforms can serve as powerful tools for raising public awareness regarding Sharia insurance.

The condition of limited public understanding was also identified during field literacy activities conducted in Samura Village, Kabanjahe District. During this initiative, the team visited five local merchants to deliver information and educational material regarding insurance (Nurhayati et al., 2022). Of the five merchants met, only one possessed prior knowledge of insurance, while four lacked a proper understanding. These initial field findings indicate that a substantial portion of the community still requires foundational information concerning the definition, benefits, functions, and operational mechanisms of insurance.

Considering these circumstances, implementing direct insurance literacy outreach to the community—particularly to micro-merchants who encounter daily operational risks—is of paramount importance. Using accessible language tailored to local conditions is expected to elevate understanding regarding the necessity of insurance protection (Azhar, 2025). Therefore, this study examines insurance literacy based on previous literature and field findings among merchants in Samura Village, Kabanjahe District, providing an overview of public understanding and emphasizing the necessity of educational interventions to foster insurance literacy.

RESEARCH METHOD

This study employs a descriptive-qualitative method combining field observation with a literature review. This methodology was chosen to obtain a comprehensive overview of the public's level of insurance understanding and to observe these conditions firsthand through community literacy activities. The research data consists of primary and secondary data. Secondary data were drawn from various scientific journal articles addressing insurance literacy, rural public understanding, Sharia insurance literacy, and socialization programs. These articles served as comparative references to evaluate prior findings against field observations. A prior study utilized a literature review approach by analyzing articles related to rural communities' understanding of health insurance benefits (Balqis & Nurdin, 2023). Primary data were gathered through direct insurance literacy activities conducted in Samura Village, Kabanjahe District. The activity involved engaging five local merchants to deliver structured educational content regarding insurance. Direct interactions were conducted to gauge how well these merchants understood the definition, benefits, and role of insurance (Nurhayati et al., 2022). Based on these activities, one merchant demonstrated a good understanding, while four remained unknowledgeable about basic insurance concepts.

Data collection techniques included document analysis, direct field observation, and interactive engagement with merchants. The collected data were subsequently

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categorized and synthesized into key thematic areas, including public understanding levels, factors influencing literacy, benefits of educational activities, and the urgency of insurance outreach (Azhar, 2025). Field findings were cross-referenced with existing empirical literature to establish consistency and draw meaningful conclusions (Nurhayati et al., 2022). This study aims to identify and describe the extent of public understanding regarding insurance, specifically among individuals operating small merchant businesses. The study examines how well the community understands the definitions, benefits, functions, types, and operational mechanisms of insurance in daily life. Understanding these elements is essential, as insurance involves not merely paying premiums but serving as a strategic mechanism to mitigate risks that could lead to financial instability (Rahmi, 2022).

Additionally, the study seeks to identify key factors associated with low insurance literacy, particularly the lack of accessible information and formal education regarding insurance products. It explores how targeted literacy initiatives and socialization can help the public gain clearer insights into financial protection mechanisms (Balqis & Nurdin, 2023). Furthermore, the research highlights the significance of direct, jargon-free educational outreach. Findings from the five merchants in Samura Village serve as an empirical illustration emphasizing the need for continuous community-level education (Nurhayati et al., 2022).

Finally, the study contributes to raising public awareness regarding both conventional and Sharia insurance. It provides valuable insights for academic institutions, students, and industry stakeholders to design simplified, communicative, and community-tailored literacy programs (Wahono & Leng, 2022). This research offers both theoretical and practical contributions to expanding insurance literacy knowledge. Theoretically, it enriches academic literature on public financial awareness, insurance mechanisms, policy types, and risk management functions (Syahira & Very, 2024). It serves as a benchmark for future studies on rural communities, micro-merchants, and Sharia insurance adoption.

RESULTS AND DISCUSSION

The results indicate that public understanding of insurance remains uneven and generally low. Previous literature demonstrates that many individuals lack a full grasp of insurance concepts, benefit structures, and claim procedures. Balqis & Nurdin (2023) highlighted that rural communities possess limited knowledge regarding health insurance benefits due to poor information dissemination.

This pattern was confirmed during the literacy field activity in Samura Village. Interacting with five local merchants revealed that only one had a clear understanding of insurance, while four remained unfamiliar with basic concepts. Although this sample size

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is small and cannot be generalized to the entire village population, it provides important preliminary evidence of widespread information gaps (Rahmi, 2022). Information barriers directly affect public perception and insurance adoption rates. Rural citizens with restricted information access often hold inaccurate perceptions, leading to reluctance in joining insurance schemes (Syahira & Very, 2024). Misinformation quickly spreads in low-literacy environments, highlighting the necessity for clear educational messaging.

Insurance literacy challenges extend beyond rural areas to youth demographics. Nasyubin & Akhdani (2025) demonstrated that delivering structured information on insurance definitions and benefits to Generation Z significantly enhanced their comprehension, indicating that educational needs span across all demographic groups. In the domain of Sharia insurance, public awareness involves understanding underlying contract mechanisms (akad) and fund management aligned with Islamic principles. Studies by Rahmadion et al. (2021) and Syahira & Very (2024) confirmed that Sharia literacy positively and significantly influences interest in choosing Sharia insurance products.

Digital media and social context also play key roles. Adisti (2025) found that digital marketing and social culture significantly boost Sharia insurance literacy among Generation Z in West Sumatra, whereas religiosity showed no direct significant effect. This indicates that leveraging digital platforms alongside direct community socialization is an effective modern outreach strategy. Overall, low insurance adoption stems not from product unavailability, but from an information deficit. Sustainable literacy initiatives utilizing community-friendly language, practical examples, and transparent explanations of premiums, claims, and fund management are essential for empowering communities to make informed protection choices (Azhar, 2025; Wahono & Leng, 2022).

CONCLUSION

This study concludes that insurance literacy remains significantly low, particularly among rural communities and groups with limited information access. Understanding insurance extends beyond recognizing terminology; it involves comprehending how financial protection mitigates life risks and selecting products appropriate for personal financial capacities. Field observations in Samura Village revealed that 4 out of 5 interviewed merchants lacked basic insurance knowledge, demonstrating the critical need for continuous community outreach. Comparative literature underscores that direct, interactive, and simplified educational activities—combined with digital outreach for younger demographics—effectively bridge knowledge gaps.

To improve literacy effectively, stakeholders must deliver clear, practical education covering benefits, product types, premium costs, contract terms, fund management, and claim procedures. Collaborative efforts involving academic institutions, local



governments, and financial industry stakeholders are vital for building sustainable financial resilience across rural communities.

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