

The Role of Islamic Financial Literacy and Social Media on the Income of Agricultural Communities in Klambir V Kebun Village

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Abstract

This study investigates the role of Islamic financial literacy and social media in enhancing the income of agricultural communities in Klambir V Kebun Village, North Sumatra, Indonesia. The research focuses on understanding how the knowledge of Islamic finance principles and the use of digital platforms like Facebook, Instagram, and WhatsApp can help farmers improve their financial outcomes. Using a quantitative research approach, the study analyzes data from 150 farmers to determine the relationship between these two variables and their effect on income generation. The findings indicate that both Islamic financial literacy and social media usage significantly contribute to increased income levels among farmers. Financially literate farmers are more capable of managing their finances effectively, while those actively using social media benefit from broader market access and reduced reliance on intermediaries. The study provides valuable insights for rural development initiatives and emphasizes the importance of financial education and digital engagement in fostering sustainable agricultural practices.

Keywords: Islamic Financial Literacy, Social Media, Income Generation, Agricultural Communities

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2nd International Conference on Islamic Community Studies (ICICS)

Theme: History of Malay Civilisation and Islamic Human Capacity and Halal Hub in the Globalization Era

<https://proceeding.pancabudi.ac.id/index.php/ICIE/index>

Introduction

Agricultural communities in rural areas, particularly in villages like Klambir V Kebun, face numerous challenges in improving their livelihoods. These challenges include limited access to financial resources, markets, and educational opportunities [1]. However, the advancement of digital technologies and social media has provided new opportunities for agricultural development, enabling farmers to connect with broader markets and access information in real time. At the same time, the importance of Islamic financial literacy has gained attention, particularly in rural areas where understanding financial principles rooted in Islamic values can help improve economic decision-making and income generation. In the context of Klambir V Kebun Village, it becomes crucial to explore how Islamic financial literacy and the use of social media can positively impact the income of agricultural communities [2].

Islamic financial literacy refers to the understanding and application of Islamic finance principles, such as the concepts of halal income, zakat, interest-free loans (riba-free transactions), and profit-sharing mechanisms like *mudharabah*. These principles guide individuals in making ethical financial decisions that align with Islamic teachings. Many rural farmers, however, lack adequate exposure to these principles, limiting their ability to fully leverage Islamic financial tools to grow their businesses and improve their livelihoods. Research has shown that financial literacy has a positive impact on income and wealth accumulation, particularly in helping individuals make informed decisions about savings, investments, and loans. By promoting Islamic financial literacy, farmers in Klambir V Kebun could better manage their finances, access Islamic financing, and ensure that their income is halal and ethically earned.

On the other hand, social media has emerged as a powerful tool for small-scale farmers to connect with consumers, market their products, and share knowledge. Platforms like Facebook, Instagram, and WhatsApp offer farmers the ability to reach a larger audience, promote their agricultural products, and access crucial market information without the need for expensive intermediaries. Social media also allows farmers to directly engage with consumers, reducing barriers to market entry and enabling them to sell their products more effectively. Research on the use of social media by rural farmers has indicated that it can significantly boost sales and income by expanding market access and improving communication channels. Therefore, the way farmers use social media for their business purposes is closely tied to their income [3], as it allows them to tap into new markets and build stronger connections with potential buyers.

The connection between Islamic financial literacy and social media usage offers a unique approach to improving the economic conditions of agricultural communities [4]. While social media can enhance market access and visibility, farmers who are financially illiterate may struggle to manage the increased income or investment opportunities that arise. Conversely, those with a strong understanding of Islamic financial principles may be better equipped to manage and reinvest the increased income generated through social media marketing, ensuring long-term sustainability and ethical practices in their business operations. Therefore, the synergy between these two variables financial literacy and social media usage can create a more

effective pathway for improving the income of farmers, enabling them to grow their businesses in a way that is both economically and ethically sound [5].

Despite the importance of both Islamic financial literacy and social media usage in enhancing the income of agricultural communities, there is a notable gap in research that explores their combined effect in rural Indonesia, particularly in Klambir V Kebun Village. While existing studies have examined the role of financial literacy and social media independently, little has been done to investigate how these two factors interact and influence each other in the context of rural agricultural communities [6]. Moreover, there is limited research that focuses on the Islamic financial aspects in this setting, especially in relation to their practical applications in everyday agricultural activities. This study aims to fill this gap by examining the combined role of Islamic financial literacy and social media in improving the income of farmers in Klambir V Kebun Village.

The aim of this research is to explore how Islamic financial literacy and social media influence the income of agricultural communities, with a specific focus on farmers in Klambir V Kebun Village. The study seeks to understand the relationship between these two variables and to determine whether better financial knowledge and more active use of social media contribute to increased income. By examining the interplay between financial literacy and social media usage, the research aims to provide insights into how these factors can be leveraged together to support sustainable agricultural development in rural areas while ensuring adherence to Islamic finance principles.

Literature Review

Islamic Financial Literacy

Islamic financial literacy refers to the knowledge and understanding of financial concepts that are in line with Islamic principles. This includes awareness of key concepts such as zakat, halal income, profit-sharing (*mudarabah*), and interest-free loans (*riba*-free transactions). Islamic financial literacy enables individuals to make financial decisions that align with Islamic teachings, ensuring their income is ethically generated and used. A lack of financial literacy in rural areas often leads to poor financial management, making it difficult for farmers to access appropriate financial services and improve their incomes. Financially literate farmers are better equipped to use Islamic financial products, which can provide a more ethical and accessible alternative to traditional financial services [7]. Islamic financial products such as microfinance schemes and interest-free loans can directly impact income generation by providing farmers with the capital they need to invest in agricultural activities without the burden of interest, which is prohibited in Islam. In Indonesia, Islamic microfinance institutions (IMFIs) have successfully provided financial support to rural communities, leading to improved economic outcomes for farmers [8].

Moreover, studies show that Islamic financial literacy promotes responsible financial behavior, helping farmers to manage their resources, plan for future investments, and improve financial sustainability. With a deeper understanding of Islamic financial principles, agricultural communities can take advantage of the opportunities offered by microfinance, zakat, and waqf (Islamic charitable giving) to enhance their income [9].

Social Media

Social media has emerged as a powerful tool for businesses across all sectors, including agriculture. In rural areas, social media platforms like Facebook, Instagram, and WhatsApp have become essential for farmers seeking to reach new markets, increase sales, and connect with consumers directly. The use of social media in agriculture has opened new avenues for market access, especially for small-scale farmers who traditionally lacked the resources to market their products. These platforms enable farmers to promote their products, share agricultural knowledge, and even receive real-time feedback from customers, which directly contributes to income growth [10].

In the context of agricultural marketing, social media helps overcome geographical barriers and minimizes the need for middlemen, thereby increasing the profit margins for farmers. A study reveals that social media usage among farmers significantly improved their ability to access information about market prices, agricultural trends, and buyer preferences, leading to better decision-making and higher incomes [11]. Social media platforms offer a low-cost alternative to traditional advertising methods, allowing farmers to market their produce to a larger audience without significant investment in infrastructure.

Furthermore, social media enables farmers to form digital communities, where they can exchange ideas and experiences. This sense of community and shared knowledge contributes to increased productivity and income by fostering cooperation and the sharing of best practices. Social media not only supports marketing efforts but also acts as an educational tool, helping farmers adopt more efficient farming practices and connect with suppliers and buyers globally [12].

Research Methodology

This study employed a quantitative research approach to examine the relationship between Islamic financial literacy, social media usage, and income generation among farmers in Klambir V Kebun Village. A quantitative approach is appropriate as it allows for the measurement of the variables and analysis of their statistical relationships. The primary aim of this research was to quantify the impact of Islamic financial literacy and social media usage on the income of agricultural communities, providing numerical insights that can guide further policy recommendations.

The population for this study consisted of farmers who reside in Klambir V Kebun Village, a rural area in North Sumatra, Indonesia. This village is predominantly agricultural, with farming being the main livelihood for most residents. The focus is on farmers who actively engage in agricultural production and use social media to promote their products, share information, and communicate with buyers. A stratified random sampling technique was employed to select the sample. The stratification was based on two factors: the level of social media usage and the knowledge of Islamic financial principles. The sample was drawn from different strata within the population to ensure diversity in terms of age, education level, farming experience, and the type of agricultural products produced. Based on the population size of the village, the sample size consisted of approximately 150 respondents. This sample size was sufficient to provide reliable results while maintaining statistical power to detect significant relationships between the variables.

The data collected from the survey was analyzed using a series of quantitative techniques to identify the relationships between Islamic financial literacy, social media usage, and income generation. A structured approach was employed to ensure the accuracy and reliability of the results. The first step in the data analysis involved descriptive statistics. This provided a comprehensive overview of the sample's demographic characteristics, such as age, gender, education level, and farming experience.

To ensure the reliability and validity of the data, the next step involved conducting reliability and validity tests. Cronbach's Alpha was used to assess the internal consistency of the scales measuring Islamic financial literacy and social media usage. The main analytical method for exploring the relationships between the variables was multiple regression analysis. In addition to regression analysis, correlation analysis was conducted using Pearson's correlation coefficient. For the purpose of data analysis, SPSS (Statistical Package for the Social Sciences) software was used [13].

Results

Descriptive Statistics:

The first step in the analysis was to examine the demographic characteristics of the respondents and their general use of social media and Islamic financial principles. The descriptive statistics provided a summary of the key features of the sample. The sample consisted of 150 farmers from Klambir V Kebun Village, with the following breakdown:

In terms of Islamic financial literacy, the majority of respondents (75%) had a basic understanding of Islamic financial principles, such as zakat, halal income, and riba (interest-free loans). However, only 30% of the respondents reported actively applying these principles in their financial management. Regarding social media usage, 85% of the respondents used platforms like Facebook, Instagram, and WhatsApp for marketing their agricultural products, with 40% using these platforms daily.

Reliability and Validity Tests:

To ensure the accuracy and consistency of the survey instrument, it was conducted reliability and validity tests. The Cronbach's Alpha test was used to assess the internal consistency of the scales measuring Islamic financial literacy and social media usage. The results indicated that the Cronbach's Alpha values for both scales were above the acceptable threshold of 0.7, which indicates high reliability. Specifically:

- Cronbach's Alpha for Islamic Financial Literacy: 0.82
- Cronbach's Alpha for Social Media Usage: 0.75

These values suggest that the instruments used to measure Islamic financial literacy and social media usage are reliable. Additionally, a factor analysis was conducted to ensure that the items in each scale were measuring the intended constructs. The results of the factor analysis confirmed that the items loaded appropriately onto their respective factors, with factor loadings above 0.6, indicating construct validity.

Regression Analysis:

The next step involved conducting a multiple regression analysis to explore the relationship between Islamic financial literacy, social media usage, and income generation. The regression model was specified as follows:

$$\text{Income} = \beta_0 + \beta_1(\text{Islamic Financial Literacy}) + \beta_2(\text{Social Media Usage}) + \epsilon$$

Where:

Income is the dependent variable (monthly income of farmers),

Islamic Financial Literacy and Social Media Usage are the independent variables,

β_0 is the intercept, and

β_1 and β_2 are the coefficients for each independent variable.

The results of the regression analysis revealed that both Islamic financial literacy and social media usage had a statistically significant positive impact on income generation. The regression coefficients and their corresponding p-values were as follows:

β_1 (Islamic Financial Literacy): 0.45, $p = 0.003$ (significant at the 0.01 level)

β_2 (Social Media Usage): 0.38, $p = 0.005$ (significant at the 0.01 level)

This indicates that for each unit increase in Islamic financial literacy and social media usage, the income of farmers in Klambir V Kebun Village increases by 0.45 and 0.38 units, respectively. These findings suggest that both factors significantly contribute to improved income, with Islamic financial literacy having a slightly stronger effect on income than social media usage.

The R-squared value of the model was 0.64, meaning that 64% of the variation in income generation can be explained by the combined effects of Islamic financial literacy and social media usage. This high value indicates a strong relationship between the independent variables and the dependent variable.

Correlation Analysis:

To assess the strength and direction of the relationships between the variables, Pearson's correlation coefficient was calculated. The correlation results revealed the following:

Islamic Financial Literacy and Income: $r = 0.53$, $p = 0.001$ (positive and significant correlation)

Social Media Usage and Income: $r = 0.49$, $p = 0.002$ (positive and significant correlation)

Islamic Financial Literacy and Social Media Usage: $r = 0.46$, $p = 0.003$ (moderate positive correlation)

These correlation results suggest that Islamic financial literacy and social media usage are positively correlated with income generation. Additionally, there is a moderate positive correlation between Islamic financial literacy and social media usage, indicating that farmers with higher financial literacy tend to use social media more effectively for business purposes.

The results of the research indicated that both Islamic financial literacy and social media usage had a significant positive impact on the income of farmers in the village. These findings are consistent with previous studies that have explored similar themes in different agricultural

settings, highlighting the role of financial literacy and digital tools in enhancing the livelihoods of rural communities.

In line with the findings of this study, a previous research showed that financial literacy, particularly Islamic financial literacy, plays a critical role in the economic stability and income generation of farmers [14]. Their study found that farmers who were more knowledgeable about Islamic financial principles, such as halal income, zakat, and interest-free loans, were better able to manage their finances, leading to improved financial outcomes. Similarly, in this study, Islamic financial literacy was positively correlated with higher income levels among farmers in Klambir V Kebun. The respondents in the study who had a higher understanding of Islamic financial concepts were able to make better financial decisions, which directly contributed to their ability to reinvest in their agricultural activities and increase their income. Thus, both studies underscore the importance of promoting Islamic financial literacy as a means to enhance the economic well-being of agricultural communities.

Furthermore, the role of social media in improving income generation aligns with the previous findings [15], who examined the use of digital platforms for agricultural marketing in rural areas. Their study highlighted that farmers who actively used social media for promoting their products experienced a significant increase in sales and market access. The ability to communicate directly with buyers and access information about market trends helped these farmers improve their income. Similarly, in this study, social media usage was found to have a positive influence on income generation in Klambir V Kebun Village. Farmers who used social media platforms like Facebook, Instagram, and WhatsApp were able to expand their market reach, connect with a wider audience, and reduce dependency on traditional, often expensive, distribution channels. These findings are consistent with Rashid et al.'s research, which shows that social media is a vital tool for improving the financial outcomes of rural farmers.

Conclusion

The results of this study clearly demonstrate that both Islamic financial literacy and social media usage have a significant and positive impact on the income of farmers in Klambir V Kebun Village. The research findings indicate that farmers who possess a higher level of financial literacy, particularly in understanding Islamic financial principles, tend to make better financial decisions. This, in turn, leads to improved management of their resources and investments, directly contributing to higher income generation. This supports the conclusion that Islamic financial literacy is a vital factor for farmers in managing their finances in a way that is both ethically sound and financially productive.

In addition to financial literacy, the study found that the use of social media plays a crucial role in expanding the market reach of farmers in the village. Farmers who actively engage with platforms such as Facebook, Instagram, and WhatsApp are able to promote their products, access new markets, and communicate directly with consumers. The ability to reach a broader audience and reduce reliance on intermediaries has proven to be a key factor in increasing the farmers' income. The findings align with previous research which highlights that social media is an effective tool for rural farmers to grow their businesses and improve their financial outcomes.

The study also highlighted that both variables Islamic financial literacy and social media usage are interrelated, as farmers who are more financially literate are likely to use social media more strategically for business purposes. By combining the benefits of Islamic financial knowledge and digital marketing tools, farmers in Klambir V Kebun Village can optimize their income potential and ensure the sustainability of their agricultural businesses.

In conclusion, this research emphasizes the importance of financial education and the adoption of modern technologies in enhancing the economic well-being of agricultural communities. By improving Islamic financial literacy and encouraging the use of social media, farmers can effectively manage their resources, expand their market presence, and increase their income. The study provides valuable insights for policymakers and development practitioners seeking to improve the livelihoods of rural agricultural communities by promoting both ethical financial practices and digital engagement.

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