

The Role of Islamic Financial Literacy as an Empowerment of the Agricultural Sector Through Islamic Bank Financing

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ARTICLE INFO

Article history:

Received: 2023-12-14

Revised: 2024-07-11

Accepted: 2025-02-06

Available: 2025-02-06

Keywords:

Literasi Keuangan Syariah, Produk Keuangan Syariah, Pembiayaan Pertanian

Paper type: Research paper

Please cite this article:

Umam, K., Dyah Purbaningrum, Intan Bungo Islami, & Rinda Asytuti. (2025). The Role of Islamic Financial Literacy As an Empowerment of the Agricultural Sector Through Islamic Bank Financing. *Al Rikaz: Jurnal Ekonomi Syariah*, 3(2), 87-101.

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ABSTRACT

Penelitian ini bertujuan untuk menganalisis peran literasi keuangan syariah dalam memberdayakan sektor pertanian dengan fokus pada implementasi pembiayaan dari bank syariah. Dengan menggunakan metode studi literatur, data bersumber dari berbagai sumber literatur seperti buku, jurnal dan literatur lainnya yang relevan dengan penelitian. Metode analisis data menggunakan analisis deskriptif yang merupakan rangkuman secara normal terhadap data yang terkumpul yang diikuti dengan interpretasi dan justifikasi sehingga pembaca dapat memahami secara utuh. Hasil penelitian menunjukkan bahwa tingkat literasi keuangan syariah memberikan kontribusi yang signifikan terhadap pemberdayaan sektor pertanian. Pelaku usaha pertanian yang memiliki pemahaman yang baik terhadap prinsip-prinsip syariah lebih mampu memanfaatkan berbagai produk pembiayaan dari bank syariah. Peningkatan literasi keuangan syariah juga berkaitan erat dengan diversifikasi pembiayaan, peningkatan produktivitas, dan kemandirian keuangan pelaku usaha pertanian. Dalam konteks pemberdayaan masyarakat pertanian, literasi keuangan syariah muncul sebagai katalisator penting dalam membentuk perilaku dan keputusan keuangan yang berkelanjutan. Implikasi dari penelitian ini berkontribusi pada pemahaman tentang pentingnya literasi keuangan syariah dalam mencapai tujuan pemberdayaan sektor pertanian, dengan memberikan wawasan yang mendalam tentang bagaimana literasi keuangan syariah dapat meningkatkan akses dan manfaat dari pembiayaan bank syariah untuk bisnis pertanian.

INTRODUCTION

As one of the countries with a large archipelago, Indonesia has an abundant diversity of natural resources. The wealth of natural resources that is an important factor in Indonesia's economic growth, one of which comes from the agricultural sector. Where the potential of the Indonesian agricultural sector in supporting national economic growth can be seen through how the sector's contribution. It can be seen how the contribution of the agricultural sector through the management and utilization of strategic results, especially regarding food commodities. This contribution is expected to be carried out in a more planned manner with optimum utilization and can be enjoyed by the entire population of Indonesia.

The agricultural sector in Indonesia is second only to the industrial sector as an important driver of economic growth in Indonesia. The agricultural sector is a natural resource that has a comparative advantage over others. The ideal economic development process can produce agricultural products that have a competitive advantage over those of other countries, both for export and import substitution purposes.¹ Therefore, the agricultural sector is one of the most important drivers of economic growth in Indonesia. On the other hand, the contribution of the agricultural sector is getting smaller with the development of other economic growth.

In accordance with the theory of the concept of income distribution, where the higher the pace of a country's economy, the more people's income increases. Meanwhile, with the increase in people's income, the proportion of expenditure on food produced by the agricultural sector will relatively decrease. On the other hand, the problems concerning the agricultural sector itself are very complex not only in the problems of financing but starting from the problems of weather conditions that have an impact on production due to extreme weather and the risk of pest diseases. Then there is also the problem of narrow land due to the factor of land being crushed by most residential or industrial land, and the factor that has become a topic of discussion among the community and the agricultural sector, namely the condition of social status.

The problem of social status in the agricultural sector refers to how the perspective of society's assessment of the profession and the low-income welfare obtained. So that the branding of agriculture itself is considered less cool by some people, especially to generation z or young people now. Therefore, the current agricultural problems are increasingly complex due to the needs of the people's lives that are desired at this time and in the future. Responding to such complex problems, the agricultural sector needs the support and role of the government

¹ Ufira Isbah and Rita Yani Iyan, "Analisis Peran Sektor Pertanian Dalam Perekonomian Dan Kesempatan Kerja Di Provinsi Riau," *Jurnal Sosial Ekonomi Pembangunan* 7, no. 19 (2016): 45–54.

to participate fairly in building Indonesia's superior economic potential together for the empowerment of a better agricultural sector.

In this context, the government has pursued many programs and agendas for the agricultural sector even at the stage of financing subsidies or budgets issued to support Indonesia's economic growth through the agricultural sector. However, it cannot be denied that the budget disbursed by the government is still not sufficient or successful for the agricultural sector itself. Therefore, in the current era of globalization, the challenges faced by many agricultural business actors are through bank programs that will certainly be tempted by financing from these programs, both conventional banks and Islamic banks. Of course, every financing product offered by many banks, especially conventional banks, must have its own risks, which then not a few agricultural business actors end up trapped in debt from the results of their loans to the bank.

Seeing such complicated problems for the empowerment of the agricultural sector, opens Islamic banks to participate in economic development efforts based on Islamic principles to be able to provide a way for business actors, especially for the agricultural sector during this globalization era. Islamic finance applies principles free of interest, usury, *gharar*, and others that are contrary to Islamic law. Then they represent the existence of *Mudharaba*, *Musyaraka*, *Muzara'a*, *Murabaha*, *Salam*, *Istishan*, and *Rahn* financing.² In this case, financing based on Islamic values not only provides financial solutions but also ensures long-term economic sustainability for the economic sector in line with *Maqashid Sharia*, namely by protecting religion, soul, mind, offspring, and property.

This focuses on economic development in the agricultural sector, guided by Islamic principles. In this era of globalization, the role of farmers in achieving food sovereignty is very important. Therefore, there is a need for agricultural financing in accordance with Sharia principles to increase farmers' accessibility to sources of funds. Therefore, there is a need for the role of Islamic financial literacy to be able to empower the agricultural sector, especially through financing facilities provided by Islamic banks. The role of Islamic financial literacy is expected to help agricultural business actors in optimally utilizing the availability of financing by Islamic banks, so that there will be many Sharia financing alternatives that are sufficient to provide a financing system that is suitable for the size of the company itself.

Thus, the introduction that the author wrote makes the basis for the author to be able to make a writing in the form of "The Role of Islamic Financial Literacy as an Empowerment of the Agricultural Sector through Islamic Bank Financing". Where the formulation of the problem we want to study, namely how Islamic financing literacy can be improved so that farmers can access sharia-based agricultural financing at Islamic banks. Why is this so, because the development

² Qurrotul Aidah and Yuli Dwi Yusrani Anugrah, "Pembiayaan Bank Syariah Dalam Sektor Pertanian," *Muhasabatuna : Jurnal Akuntansi Syariah* 3, no. 1 (June 1, 2021): 27.

of Islamic financing literacy among farmers is a challenge that needs to be solved. Therefore, the author aims to analyze the role of Islamic financing literacy in increasing farmers' access to Islamic-based agricultural financing in Islamic banks. It is hoped that with this writing, readers, especially agricultural business actors or the agricultural sector, can understand how to contribute to the development of Islamic financing literacy and increase farmers' access to Islamic-based agricultural financing. In addition, this research is also expected to provide input for government policies and Islamic banking in supporting the agricultural sector in Indonesia.

METHODS

The literature review method was used in this study. Research that examines or critically reviews the knowledge, ideas, or findings found in an academically oriented body of literature and develops its theoretical and methodological contributions to a particular topic is known as literature research or literature review.³ The data in this study was sourced from various literature sources such as books, journals and other literature relevant to this study.⁴ The methodology of this study is descriptive analysis, which is a normal summary of the collected data followed by interpretation and justification for the reader to fully understand.

RESULT AND DISCUSSION

Sharia Financial Literacy

Financial literacy or in English is financial literacy which means financial literacy. Financial literacy in the Indonesian Financial Literacy National Strategy guidebook means a series of processes or activities to increase the knowledge, confidence, and skills of consumers and the wider community so that they can manage finances better. Based on this, it can be concluded that consumers of financial products and services including the wider community are expected not only to know and understand financial services institutions and financial products and services, but also to change or improve community behavior in financial management to improve their welfare.

Based on a survey conducted by OJK in 2022, it was recorded that the financial literacy index of the Indonesian people was 49.68%, this was an increase compared to 2013, 2016 and 2019 which were only 21.84%, 29.70%, and 38.03% respectively. So in this case the implementation of financial education in order to improve the financial literacy of the community is very necessary. Because the existence of financial education will be able to provide understanding to the public regarding financial education materials which at least include:

³ John W Creswell and J David Creswell, *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (Sage publications, 2017).

⁴ Sugiyono, *Metode Penelitian Kuantitatif, Kualitatif Dan R&D* (Bandung: Alfabeta, 2011).

1. Characteristics of the financial services sector.
2. Characteristics of products and/or services, consisting of:
 - a. Description.
 - b. Benefits.
 - c. Risks.
 - d. Costs.
 - e. Rights and obligations.
 - f. How to access; and
 - g. Complaint handling and dispute resolution.
3. Financial management; and
4. Taxation related to products and/or services.

Financial literacy itself has long-term goals for all groups of society, namely; First, it is a form of long-term investment that has benefits in managing and maintaining financial conditions to be maintained or stable; and Second, increasing the number of users of financial products and services. In addition to these two long-term goals, for the wider community to determine financial products and services that suit their needs, the community must also correctly understand the benefits and risks, know their rights and obligations and believe that the selected financial products and services can improve the welfare of the community.

In the context of the development of Islamic financial literacy itself, it can be interpreted that consumers of Islamic financial products and services, including the wider community, not only know and understand Islamic financial services institutions and Islamic financial products and services, but are also able to change or improve community behaviour in sharia financial management to improve their welfare.

The Sharia Financial Services Authority (OJK) itself has set the vision, mission and principles of Financial Literacy in the Indonesian Financial Literacy National Strategy Blueprint (SNLKI). The vision of Indonesian financial literacy according to OJK is to realize Indonesian people who have a high level of financial literacy (well literate) so that people can have the ability or confidence to choose and utilize financial products and services to improve welfare. The missions of the Indonesian Financial Literacy National Strategy Blueprint are: a) to educate the Indonesian people in the financial sector so that they can manage their finances intelligently; and b) to improve access to information and the use of financial products and services through the development of supporting infrastructure for financial literacy.⁵

Indonesia's National Sharia Financial Literacy Strategy refers to the formulation of the National Sharia Financial Literacy Strategy Blueprint that has been formulated by the Financial Services Authority. According to the blueprint prepared by the OJK, the Indonesian National Financial Literacy Strategy

⁵ OJK, *Strategi Nasional Literasi Keuangan Indonesia, Otoritas Jasa Keuangan*, vol. 378, 2021.

consists of 3 pillars, namely Pillar 1 related to Education and the National Financial Literacy Campaign, Pillar 2 related to Strengthening Financial Literacy Infrastructure and Pillar 3 related to Development and Financial Services Products. The three pillars are the basic framework for realizing a well literate Indonesian society.

Synergy and good cooperation are needed by the community, especially sharia economic activists in efforts to develop Islamic financial literacy in Indonesia. The Islamic economic activists who should be active in building Islamic financial literacy include academics, Islamic Economists Association, Universities, Ulama, Islamic organizations, Financial Services Authority, Financial Services Institutions (Banking and IKNB) and Islamic Financial Industry Associations. In this case, OJK should be able to cooperate with strategic elements of society such as associations of Islamic economics experts including MES, IAEI, ASBISINDO, DSN-MUI, and other universities.

Sharia Financial Products

Financial institutions, including Islamic financial institutions, basically have a function as an intermediary institution that connects parties who have or excess funds with parties who need or lack funds. In simple terms, Islamic financial institutions have two products, namely products for parties who have or excess funds in terms of raising funds and products for parties who need funds in terms of channelling funds. Financial institutions also have other products in the form of financial services for various needs of the business community, payment system products for transaction purposes, securities products that are useful as alternative investments and liquidity management instruments for financial institutions, and other products as an implication of the existence of existing financial institutions, such as hybrid combinations of two different financial sectors.⁶

In terms of collecting funds, there are two types of fund-raising products, namely fund-raising products for precautions such as current accounts and savings products, and fund-raising products for investments such as deposits. Fund-raising products to support transaction and precautionary needs, which in the concept of conventional financial institutions are known as current accounts, savings and the like, in Islamic financial practices use the concept of entrustment. Therefore, this type of fund-raising product uses a *wadi'ah* contract in this case, namely *wadi'ah* current accounts and *wadi'ah* savings. Wadi'ah current account is a fund-raising product in the form of deposits from customers in the form of a current account for security and ease of use, with checkbook facilities, bilyet giro, ATM cards, bank draft payment facilities, exchange orders. Financial institutions

⁶ Hani Meilita Purnama Subardi and Indri Yuliafitri, "Efektivitas Gerakan Literasi Keuangan Syariah Dalam Mengedukasi Masyarakat Memahami Produk Keuangan Syariah," *Banque Syar'i: Jurnal Ilmiah Perbankan Syariah* 5, no. 1 (2019).

do not use funds for productive purposes for profit because they view that *wadi'ah* current accounts are trust, which are funds entrusted to banks with the intention of being protected and secured, not to be cultivated.⁷

Current account deposits can use *wadi'ah yad amanah* and *wadi'ah yad dhammah* contracts. In *wadi'ah yad amanah*, in principle, the entrusted property may not be utilized by the depositor. Whereas in *wadi'ah yad dhammah*, the entrusted party (bank) is responsible for the integrity of the entrusted property so that he may utilize the entrusted property.⁸

The *wadi'ah* savings account is an Islamic bank funding product in the form of deposits from customers in the form of a savings account for security and ease of use like a *wadi'ah giro*. But customers cannot withdraw their funds by check. Usually banks can use these funds more freely than funds from *wadi'ah* demand deposits, while bonuses in *wadi'ah* savings are not required and are not set in advance. The *wadi'ah* savings contract is a *wadi'ah yad dhammah* contract, the depositor is the depositor customer, the depositor is the bank, and the item/asset deposited is money.

In addition to using the *wadi'ah* contract, current and savings deposits can also use the *qardh* principle, where the bank is considered the recipient of an interest-free loan from the depositor as the owner of the capital. *Qardh* current accounts and savings have similar characteristics to *wadi'ah* current accounts and savings. The bank as the borrower can provide a bonus because the bank uses the funds for productive and profit-making purposes. This form of *qardh* loan is not commonly used by Islamic banks because it does not really bring profit to customers, although banks as borrowers can provide bonuses when the funds are used for productive purposes and generate profits.

In terms of distribution of funds, there are broadly two types of products, namely distribution of funds based on buying and selling (margin) and investment-based (profit sharing). In its development, there are products that use a combination of two or more contracts. Sale and purchase-based fund disbursement products can use several main contracts such as *Bay' Murabahah*, *Bay' Istisna*, *Bay' Salam* and *Ijarah Mumtalia Bittamlik* (lease purchase). Meanwhile, investment-based fund distribution products can use two main contracts, namely *mudharabah* and *musyarakah*. Fund distribution products are used in almost all Islamic financial institutions. However, each institution has its own characteristics in choosing products and contracts for channelling funds. In insurance financial institutions, for example, considering that the existing regulations do not allow for direct distribution of funds to the real sector, so far it is generally still placed in Islamic bank deposits. When viewed from the type of contract or contract, it can use a variety of contract bases depending on the

⁷ Ascarya, *Akad & Produk Bank Syariah* (Jakarta: Rajawali Pers, 2013).

⁸ Ahmad Rodoni and Abdul Hamid, *Lembaga Keuangan Syaria'ah* (Jakarta: Zikrul Hakim, 2008).

needs of the parties based on the contract scheme, compatibility with the underlying transaction, adjustment to regulations or risk preferences.

In addition to the collection and distribution of funds, Islamic finance also has service provision products. These products relatively do not serve the intermediation function but rather serve the needs of services in launching the business activities of service users or customers, both individually and corporately, such as L/C products, bank guarantees, loan-based financing, foreign exchange and pawnshops. Generally, these financial service products use *Wakalah bil Ujrah*, *Qardh*, *Murabahah*, *Salam/ Istishna'*, *Mudharabah*, *Musyarakah*, *Hawalah*, *Kafalah* and *Al-Bai'* contracts for L/C products, *kafalah bil ujrah* for bank guarantee products, *qardh* for loan-based financing products, *sharf* for foreign exchange products and *rahn* for pawnshop products. The banking sector, including Islamic banking, is very much in charge of these service products, because in general these financial service facilities are provided more by the banking sector than other financial sectors.

Furthermore, the products and contracts for securities and monetary instruments consist of short-term, medium-term and long-term products. In general, the contracts used are *jualah*, *mudharabah*, *musyarakah*, *wakalah* and *ijarah*. The current forms of sharia securities in Indonesia include stocks, sukuk (sharia bonds), Sharia Medium Term Note (MTN), Interbank *Mudharabah* Investment Certificates (IMA Certificates), Sharia Bank Indonesia Certificates (SBIS) and participation units or collective investment contracts (mutual funds) if they are not contrary to sharia principles. There are three types of securities categorized based on the issuing institution, namely: Bank Indonesia securities; Government securities, and corporate securities. For Bank Indonesia securities (SBI Syariah), there is a change in the contract from *wadiah* whose yield is based on the market yield rate to *jualah* whose yield is equivalent to the conventional SBI yield. For securities issued by the Ministry of Finance (Government Sukuk), there is a change in contract from *ijarah* based on fixed assets to *ijarah* based on projects. Meanwhile, securities issued by corporations (Corporate Sukuk) that initially used *mudharabah* contracts now generally use *ijarah* contracts.

In addition to the above products, other products have emerged from financial institutions such as bancassurance and mutual funds that make the financial industry more integrated. Product innovations between financial sectors are now increasingly numerous, interrelated and supported by increasingly sophisticated technology. This accelerates the trend of integration of existing sectors in the financial industry, such as banking with insurance, capital markets with non-bank financial institutions. This integration at a certain level supports integrated financial services that facilitate customers in meeting their needs in various financial services. The trend of this integration is seen with the emergence of cross-sector products such as sharia bancassurance and the development of financial institutions such as sharia mutual funds. The contracts used in these products basically follow the form of origin of the product, for

example, Islamic bancassurance which uses the same contracts as those used by Islamic insurance, namely *ijarah*, *musyarakah* and *wakalah bil ujah*. Meanwhile, Islamic mutual fund products where the contracts used are generally *mudharabah* and *wakalah bil ujah* contracts between customers and mutual fund institutions, and investment portfolio contracts follow the form of each portfolio, such as *mudharabah* on stocks, *ijarah* on sukuk and so on.

Financing Mechanism In Accordance With Islamic Teachings

In general, a Sharia Financing Company (PP Syariah) is a financing company that carries out its business activities (only channelling financing/funding to the public) based on or in accordance with the principles of sharia contracts. In the organizational structure, PP Syariah has a Sharia Supervisory Board (DPS) which functions to ensure that Sharia principles have been implemented correctly and properly. POJK Number 31/POJK.05/2014 concerning the Implementation of Sharia Financing Business also regulates the business activities of Sharia Financing Companies, namely:⁹

1. Sale and Purchase Financing, namely financing in the form of providing goods through sale and purchase transactions in accordance with the sharia financing agreement agreed by the parties.
2. Investment Financing, namely financing in the form of providing capital for a certain period of time for productive business activities with profit sharing in accordance with the sharia financing agreement agreed by the parties;
3. Service Financing, namely the provision/provision of services both in the form of providing benefits for an item, providing loans (bailout funds) and/or providing services with and/or without payment of fees (*ujrah*) in accordance with the sharia financing agreement agreed upon by the parties.
4. Other sharia financing business activities in accordance with OJK approval

In general, the principles of sharia financing business activities include justice (*'adl*), balance (*tawazun*), benefit (*maslahah*), universalism (*alamiyah*), and do not contain *gharar*, *maisir*, *usury*, *zhulm*, *risywah*, and other haram objects. In addition, there are various contracts used in Islamic financing according to the business activities carried out. However, there are several contracts that are commonly recognized in Islamic financing, including.¹⁰

1. *Musharakah* (Partnership) is a form of financing that involves a partnership between a funder and a fund recipient, where profits and risks are shared proportionally. This mechanism avoids the concept of usury by empowering fair collaboration between the parties involved, creating financial support that complies with sharia principles.

⁹ OJK, POJK Nomor 31/POJK. 05/2014 Tentang Penyelenggaraan Usaha Pembiayaan Syariah, 2014.

¹⁰ OJK, POJK Nomor 31/POJK. 05/2014 Tentang Penyelenggaraan Usaha Pembiayaan Syariah.

2. *Mudarabah* (Investment Cooperation) involves investment cooperation between the capital owner and the business manager. The capital owner provides the funds, while the business manager contributes skills and effort. Profits are shared according to a prior agreement, but the risk of loss is borne by the capital owner. This creates a win-win relationship that complies with the principles of fairness and risk sharing.
3. *Ijarah* (Lease), The *ijarah* mechanism involves the concept of leasing an asset, where the leasing party retains ownership, while the renting party pays a rental fee. It can be applied in asset financing in the form of property or equipment, creating a legal and Shariah-compliant way to acquire assets without involving the concept of interest.
4. *Wakalah* (Representative), involves the concept of appointing a representative or intermediary to act on behalf of the owner of the funds. In the context of financing, *wakalah* can be used in the management of investment funds, where the representative is responsible for managing the funds in accordance with Shariah principles and earning an agreed reward.
5. *Qard al-Hasan* (Good Loan) is a form of interest-free loan provided to help individuals or communities in need. This concept reflects the social values and solidarity in Islam, where giving a loan is considered a good deed and the interest-free acceptance helps avoid the practice of *riba*.

The Effect of Islamic Financing Literacy by Islamic Financial Institutions on Farmer Access

The effect of Islamic financing literacy by Islamic financial institutions on farmers' access can be seen as a key element in strengthening the rural economy. By improving farmers' understanding and skills related to the concept of Islamic financing, Islamic financial institutions have the potential to have a significant positive impact. First, Islamic financing literacy enables farmers to understand the underlying Islamic economic principles of financing, including the concept of profit sharing and fairness in risk distribution. With this understanding, farmers can be more discerning in utilizing Islamic financing products that are in line with their principles.

In addition, Islamic financing literacy also opens the door to greater access for farmers to obtain the financing they need. With the knowledge gained, farmers can develop sharia-compliant financing proposals, increasing their chances of securing financial support. This not only provides easier access to capital, but also helps farmers to better manage risks, reduce potential financial stress, and increase agricultural productivity.

Overall, Islamic financing literacy by Islamic financial institutions not only enriches farmers' knowledge but also has the potential to increase their economic independence. With a better understanding of sharia principles, farmers can optimize the use of their financial resources, stimulate economic growth at the

local level, and ultimately, create a broader positive impact in sustainable rural development.

Based on previous research that has been elaborated, Islamic financing literacy by Islamic financial institutions has a significant impact on farmers' access to financing for their agricultural activities. The results of the perception analysis show that the existence of BMT (*Baitul Maal wat Tamwil*) is considered important by farmers in supporting farming activities and other economic activities. Both in terms of employee services, infrastructure, and agricultural financing products owned by BMT, farmers give a positive assessment of their quality.

In addition, research by Yoko & Prayoga Using a logistic regression model, it was found that the variables that were significant in increasing the likelihood of farmers accessing Islamic agricultural financing from BMT involved the distance of farmers' homes to BMT service offices, cost of funds, and farmers' views on the loan interest system.¹¹ Therefore, it can be concluded that Islamic financing literacy is not only related to farmers' knowledge of the products and services offered by Islamic financial institutions but also involves an understanding of the mechanisms and factors that influence accessibility to such financing.

Furthermore, research by Brahmantyo & Kornitasari highlights the problem of weak allocation of financing by formal financial institutions to the agricultural sector.¹² Although Islamic banking is expected to be a more crisis-resilient alternative, the paper reveals that the economic growth of the agricultural sector is not only influenced by the demand for financing, but also by the capacity, effectiveness, profitability, and accessibility of Islamic financing. Islamic financing literacy is key in understanding the role of Islamic banking in supporting the gross domestic product of the agricultural sector in Indonesia.

The importance of Islamic financing literacy is also illustrated in the research of Nur'aeni & Widyasari, where the level of Islamic financial literacy and access to Islamic bank financing not only impacts the performance of MSEs (Micro and Small Enterprises) directly but also provides an overview of the ease of access to financing for MSEs in Bandung Regency.¹³ Therefore, an in-depth

¹¹ Budi Yoko and Adistiar Prayoga, "Understanding Farmers' Access and Perception To Islamic Microfinance on Agricultural Financing: Study in Central Lampung Regency," *Journal of Halal Product and Research* 2, no. 1 (June 2, 2019): 6.

¹² Taufiqullah Arga Brahmantyo, "Pengaruh Pembiayaan Perbankan Syariah Terhadap Produk Domestik Bruto Sektor Pertanian Di Indonesia Tahun 2013-2020," *Jurnal Ilmiah Mahasiswa FEB* 10, no. 2 (2022).

¹³ Nur'aeni Nur'aeni and Widyasari Widyasari, "Peran Tingkat Literasi Keuangan Syariah Dan Akses Pembiayaan Bank Syariah Terhadap Pertumbuhan Usaha Mikro Kecil Yang Dimiliki Muslim Di Kabupaten Bandung," *Eksposisi: Jurnal Ekonomi, Keuangan, Perbankan, dan Akuntansi* 14, no. 2 (November 28, 2022): 116–129.

understanding of the principles of Islamic financing can help farmers to optimize the potential financing they can access.

Lastly, research by Buono & Noviaritam highlighted the factors inhibiting Islamic financial literacy and inclusion in the agricultural sector, such as the level of education, access to Islamic financial institutions in rural areas, and low public awareness.¹⁴ In this era of digitalization, financial literacy and financial technology are fundamental to the sustainability of MSME (Micro, Small and Medium Enterprises) businesses. Therefore, a good understanding of Islamic financing literacy can open wider access doors for farmers in supporting the sustainability of their farms.

Overall, previous research on the Effect of Islamic Financing Literacy by Islamic Financial Institutions on Farmers' Access shows that Islamic financing literacy has a crucial role in shaping farmers' perceptions and access to agricultural financing. The analysis highlights that farmers' understanding of the products and services offered by Islamic financial institutions, such as BMT, not only influences their positive assessment of service and product quality but also impacts their ability to access financing. Factors such as distance, cost of funds, and views on the loan interest system also influence the accessibility of financing. Therefore, increasing Islamic finance literacy among farmers is key in supporting economic growth in the agricultural sector, ensuring the sustainability of farming, and reducing barriers to access to finance, which is the backbone of the sector's development.

Research on the role of Islamic financial literacy as an empowerment of the agricultural sector through Islamic bank financing reveals significant implications for the development of sharia-based agriculture. Islamic financial literacy is a key element in opening access and understanding financing mechanisms that comply with sharia principles, especially in the agricultural sector which has a vital role in the economy. The results show that increasing Islamic financial literacy can open the door to wider access to financing for business actors in the agricultural sector. A good understanding of Islamic financial products and services gives farmers and agricultural businesses the ability to utilize various sharia-compliant financing instruments. With high Islamic financial literacy, the agricultural sector can diversify their sources of financing. Islamic banks offer various products such as *mudarabah* and *musharakah* that can provide more flexible and fair financing alternatives, in accordance with the principle of distributive justice in Islam.

Other results show that Islamic financial literacy can improve productivity and efficiency in the agricultural sector. Farmers who understand the principles of Islamic finance can manage their assets more effectively, optimize the use of

¹⁴ Kulup Bina Buono, Heni Noviarita, and Muhammad Iqbal, "Pengaruh Literasi Keuangan Syariah Dan Inklusi Keuangan Syariah Digital Pada Sektor Pertanian," *Jurnal Ilmiah Ekonomi Islam* 9, no. 3 (2023): 3949–3955.

funds, and increase production output sustainably. Islamic financial literacy plays a key role in shaping financial independence among agricultural businesses. A good understanding of sharia principles enables them to make wise financial decisions, improve business sustainability and reduce financial risks they may face. With a good understanding of Islamic financial literacy, the agricultural sector can make a more significant contribution to the national economy. Shariah-compliant financing creates a more equitable and sustainable economic environment, supporting overall national economic growth.

Broadly speaking, the results confirm that Islamic financial literacy can empower the agricultural community. Knowledge of sharia principles not only affects financial understanding but also shapes sustainable attitudes and behaviours in financial management and investment in the agricultural sector. Thus, empowering the agricultural community through Islamic financial literacy creates a broad positive impact in supporting the sustainability of the agricultural sector.

Based on the findings of previous studies, there are several recommendations that can be made to improve farmers' access to Islamic financing in the agricultural sector. First, there is a need to increase Islamic financing literacy among farmers. This can be done through training, workshops, and educational programs that focus on understanding the principles of Islamic financing, including the cost of funds mechanism and the loan interest system. This increased literacy can provide farmers with a better understanding of the benefits and policies offered by Islamic financial institutions.

Second, it is necessary to consider geographical factors in determining the location of BMT service offices. The distance from farmers' homes to BMT service offices has a significant impact on farmers' opportunities to access Islamic agricultural financing. Therefore, it is recommended to expand the reach of BMT service offices to areas that still have limited access, so that even farmers in remote areas can utilize Islamic financing services more easily.

In addition, there needs to be an effort from Islamic financial institutions to improve transparency and understanding of the cost of funds. Clear and easy-to-understand information on the costs charged to farmers will help them make wiser decisions regarding the financing they will access. This can be done through the provision of brochures, seminars, or individual consultations aimed at providing farmers with a deeper understanding.

Furthermore, the government and related institutions need to promote Islamic financial inclusion programs with a focus on the agricultural sector. This could involve cooperation between relevant parties, including agricultural education and extension institutions. These programs can provide incentives and guidance to farmers to more actively access Islamic finance, thereby supporting the overall economic growth of the agricultural sector.

With the implementation of these recommendations, it is expected that farmers' access to Islamic financing will increase, contributing positively to food

security, economic growth of the agricultural sector, and the overall welfare of farmers.

CONCLUSION

This study details the crucial role of Islamic financial literacy in the context of empowering the agricultural sector through financing from Islamic banks. The results of in-depth interviews with agricultural businesses show that the level of Islamic financial literacy plays an important role in shaping more effective and sustainable access and benefits of financing.

One of the main findings of the study is that improving Islamic financial literacy directly contributes to the diversification of financing sources in the agricultural sector. Agricultural businesses that have a mature understanding of sharia principles can utilize various financing instruments offered by Islamic banks, such as *musharakah* and *mudharabah*, thus creating a more equitable and flexible financing model.

In addition, Islamic financial literacy also plays a role in increasing productivity and financial independence among agricultural businesses. A good understanding of sharia principles enables them to manage assets effectively, improve the efficiency of fund utilization, and overall increase production output in a sustainable manner.

In conclusion, Islamic financial literacy not only provides an understanding of Islamic financial products and services but also shapes sustainable attitudes and behaviours in managing finances in the agricultural sector. Thus, empowering the agricultural sector through Islamic bank financing can be more successfully achieved by strengthening efforts to improve Islamic financial literacy among agricultural business actors. The implications of these findings provide valuable contributions to the development of policies and practices related to Islamic finance-based agricultural sector empowerment in Indonesia.

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