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ANALYSIS OF THE LEVEL OF UNDERSTANDING OF RURAL COMMUNITIES ON THE BENEFITS OF SHARIA INSURANCE PRODUCTS IN INDONESIA

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ABSTRACT
This study aims to examine the extent of rural people's understanding of the benefits of sharia insurance products, especially in East Sidorame Village, Medan Perjuangan District. This study uses a qualitative approach with a survey method involving respondents from the local community. The results of this study show that people's understanding of sharia insurance is quite diverse, with several factors such as education level, sources of information, and previous experience affecting their perception of the product. These findings provide an important picture for sharia insurance providers and policymakers in developing more effective socialization strategies to increase awareness and utilization of sharia insurance products in rural communities. Thus, this researcher helps strengthen the role of sharia insurance as a financial protection solution in accordance with sharia principles in rural communities.

INTRODUCTIONS

Insurance plays an important role in providing financial security to society and society as a whole. Insurance serves as a risk management tool in Indonesia, assisting people in dealing with various potential losses, including property damage, health problems, and financial losses caused by natural disasters. The impact of these risks can cause economic losses and social suffering for individuals and their families.

In the context of protection against risk, insurance is one of the important instruments. In particular, sharia insurance is present as a solution based on Islamic values that prioritizes the principles of help-help and justice (Siregar & Lubis, 2022), sharia insurance products provide social benefits by providing protection from future risks. Unfortunately, the level of public understanding of sharia insurance is still low. Many people do not know or do not care about this product, even though its benefits have been widely recognized.

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According to research (Siti Nurmala Sari et al., 2024), The level of public understanding of the concept of sharia insurance is still low, where 62% of respondents do not understand the basic concept. In addition, 78% of the public has never received direct socialization about sharia insurance products, and only 45% showed interest in joining after being given an explanation, although some are still doubtful about its implementation. These findings underscore the need for more intensive socialization and education strategies from sharia insurance companies to increase public awareness.

Based on the results of interviews with the community in East Sidorame Village, Medan Perjuangan District, it was stated that the phenomenon of extreme understanding shows a sharp polarization of knowledge in the community. The phenomenon of supporting knowledge spreads through a network of friends or peers. People who understand tend to be 18-35 years old, active on social media, have at least education until high school. Many people have negative or skeptical perceptions of sharia insurance, which can be caused by a lack of information and education, A better level of understanding is found in younger and more educated individuals, suggesting that formal education plays an important role in the understanding of sharia insurance. People who do not have good access to information about sharia insurance tend to have low understanding, Better understanding often comes from discussions within the family or community, showing the importance of social networks in the dissemination of information. Many people are unaware of the available sharia insurance products, which contributes to the low participation rate.

The problem of public understanding of sharia insurance cannot be separated from the problem of understanding each individual in looking at the legal aspects of insurance, to be more alone, especially in rural areas that are still thick with religious elements. The issue of the legal status of insurance has given rise to various different opinions both individually and institutionally in response to the halal and haram aspects of insurance itself.

In the research presented by (Febrianti & Zainarti, 2025), The level of proficiency achieved after the completion of the learning activity is called comprehension. Throughout the learning process, everyone's ability to understand what is being learned is different. There are people who can understand completely, some who can only understand, and some who are unable to understand the significance of what they have learned, so they only have the ability to know. Based on the availability and absorption of information, a person's comprehension skills can be divided into three stages, according to Daryanto (2008: 106). These stages include extrapolation, interpreting, and interpreting. However, the chances of someone failing to study are very high, even though they have high expectations and a fast learning curve. This is because learning is a process that has many aspects with several components that influence.

Furthermore, the research conducted by (Yuli Anisyah Hasibuan et al., 2024) which is whether or not the potential of the research area in each region is not the same. However, in general, demographic, economic, social norms and values adhered to, community orientation and public demand conditions for sharia insurance itself affect the potential demand of the public for sharia insurance. These factors also affect people's views on insurance, both conventional and sharia, and the acceptance of the two insurance systems which ultimately influences people's adoption behavior of insurance services.

This study aims to determine the level of understanding of rural communities in Indonesia towards the benefits of sharia insurance products. In addition, this study aims to analyze the factors that affect the level of understanding, such as the level of education, socialization received, and access to information owned by the community. This research also seeks to identify the obstacles faced by rural communities in understanding and utilizing sharia insurance products, by providing recommendations for effective education and socialization strategies to increase the understanding and participation of rural communities in sharia insurance products, so that financial protection based on sharia principles can be more optimally felt by the wider community.

Previous research has extensively discussed the level of general Sharia financial literacy and inclusion in Indonesia, often utilizing national survey data or case studies within urban areas. The primary research gap addressed by the title, "Analysis of the Level of Understanding of Rural Communities on the Benefits of Sharia Insurance

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Products in Indonesia," is the minimal focus on the rural population (rural gap) and the depth of their understanding regarding the benefits of Sharia insurance products. Existing studies tend to stop at measuring basic awareness, rather than focusing on a functional understanding of specific benefits (such as the concepts of ta'awun and tabarru' in Sharia insurance). By directing its focus toward rural communities, this research attempts to fill the empirical and theoretical void concerning the socio-cultural and economic factors that influence insurance decision-making outside of metropolitan areas.

The selection of Sidorame Timur Village as the study location is typically based on strong purposive sampling criteria. The main reason for choosing this village is its location, which is often considered an area exhibiting semi-urban rural community characteristics—that is, a community that still upholds strong communal values and local culture (akin to a traditional village) yet has been exposed to and is accessible by modern financial services, including Sharia products. Furthermore, Sidorame Timur Village likely has limited accessibility to Sharia insurance services compared to urban centers, making it representative for measuring the community's independent level of understanding without the intervention of massive marketing efforts. These characteristics allow the researchers to isolate and analyze the internal factors (education, culture, beliefs) that shape the community's understanding of the benefits of Sharia insurance products.

1. Literature Review

A. Definition of Sharia Insurance

The word insurance is derived from the Dutch word "assurantie," although it is known as "verzekering," or insurance, in Dutch law. Later, the words "assuradeur" (guarantor) and "geassureerde" (insured) evolved from these words. According to the Insurance Law of 1992 and Article 246 of the Commercial Code (KUHD), insurance is generally insurance or mutual insurance because a business bears the risk from the client as the insured who transfers the risk to the business. In accordance with Law Number 2 of 1992 of the Republic of Indonesia concerning Insurance An agreement between two or more parties that binds the insurer and the insured by receiving insurance premiums with the intention of compensating the insured for any loss, damage, or loss. estimated profits or legal liabilities to third parties that the Insured may incur as a result of unforeseen circumstances or the payment of funds based on the Insured's death (Sari & Aslami, 2022).

According to Manan (2014: 237), sharia insurance is a definition that refers to insurance known as sharia, takaful, or ta'min. Takaful refers to the mutual assistance that humans, as social beings, give to each other. The term "amanah" (bringing safety, peace, security, and freedom from terror) is the root word of the word "ta'min". Sharia insurance, also known as ta'min, takaful, or tadhamun, is defined in the Fatwa of the National Sharia Council Number 21/DSNMUI/X/2001 concerning General Guidelines for Sharia Insurance as an effort to protect and assist a number of individuals or parties through investment in an asset and/or tabarru' that offers a pattern of return to face certain risks through a sharia-compliant contract (engagement). A contract that does not involve gharar (fraud), maysir (gambling), usury, zhulm (persecution), risywah (bribery), haram commodities, or immorality is considered a sharia-compliant contract (bond) (Nilfah et al., 2022).

According to (Abduh & Azmi Omar, 2012), sharia insurance was born as an alternative to conventional insurance practices which are considered to contain elements of gharar, maysir, and riba. In its operations, the funds collected from participants are managed by the company as a trust, and not as the company's property, so the principles of transparency and fairness are the main values. This distinguishes sharia insurance from conventional insurance which is more business-oriented.

B. Sharia Insurance Products

According to Kotler and Armstrong (2017:244), a product is anything that can be given to the market to be noticed, acquired, used, or consumed that may satisfy a desire or need. It includes a service, event, people, place, organization, idea, or a combination of these. Sharia insurance, also known as takaful or ta'min, is a product based on Islamic values that prioritize the principles of help and justice (Siregar & Lubis, 2022).

Meanwhile, the definition of a product is something that can be offered to the market to be noticed, owned, used, or consumed so that it can satisfy the desires and needs of consumers. According to Fandy Tjiptono (2016: 176), products are everything that provides value to satisfy needs or desires, such as physical goods, services, events, experiences, people or individuals, places, properties, organizations, information, and ideas (Collins et al., 2021).

According to (Ramadhani, 2015), the development of sharia insurance products in Indonesia is accelerating with the emergence of innovations such as Family Takaful, General Takaful, and Sharia Unit Link. In addition to providing protection, this product also offers investment benefits with the principle of profit sharing (mudharabah) that benefits participants. One of the products that is starting to be in demand by the public is sharia microinsurance, which is intended for low-income people, in order to expand the reach of sharia-based financial protection among the lower classes. Some of the indicators are: (1) Perception of financial protection (Susanto, 2021), (2) Social and religious benefits (Karim, 2020), (3) Satisfaction with service and transparency (Prasetyo, 2021), (4) Long-term benefits (Hamdani, 2023), (5) Impact on economic welfare (Sari, 2022), (6) Trust in sharia insurance provider institutions (Lestari, 2020)

C. Definition of Understanding

The meaning according to its etymology comes from the word understanding, which in the Great Dictionary of the Indonesian Language (KBBI) is interpreted as the true understanding, opinion, thought, flow, view, and meaning. On the other hand, understanding is defined as an action, process, method, or process of understanding. According to Sadiman in Ramadan (2015), understanding is the ability of an individual to understand, interpret, explain, or articulate something in his or her own way regarding the information given to him.

According to Wulansari (2021), Pollastek categorizes understanding into computational understanding and functional understanding. Computational understanding itself is an understanding where a person can apply mathematical formulas in simple calculations and perform calculations algorithmically, this ability is a low-level ability. While functional understanding is classified as a high-level ability, which is an understanding where a person can relate one concept/principle to another, and know every process that is done (Khairunnisa et al., 2022).

Instead, Bloom states in Anderson and Krathwohl (2001) that understanding is the ability to absorb and retain the significance and meaning of a particular item. This ability can be demonstrated by summarizing and translating an object using its own sentence structure, predicting the outcome of an event, analyzing trends in a particular order (e.g., graphs, images, etc.), and summarizing the main points of an object. Therefore, the ability to understand or understand the meaning of an idea that is widely known can be interpreted as understanding. Comprehension involves more than just comprehending; It also involves how one keeps what they get and can communicate it to others (Andi urwa Nugaraha dan T. Gurat, 2019).

According to (Ichsan, 2014), understanding is not limited to factual knowledge, but also includes the ability to reflect, analyze, and make decisions based on the information obtained. In other words, understanding is an active cognitive process, not just passively receiving information. In education and social fields, understanding is often measured through the ability to apply concepts, explain, or interpret the information obtained.

D. Factors Affecting Comprehension

1. Knowledge is one of the fundamental factors that influence the level of public understanding of Islamic insurance. Adequate knowledge provides a basis for individuals to correctly understand the concepts, principles, and mechanisms of Islamic insurance products. In the context of Islamic financial literacy, financial knowledge has been proven to have a significant effect on a person's ability to manage and make

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financial decisions in accordance with Islamic principles, including decisions to participate in Islamic-based financing or protection (Wijaya & Ali, 2024). Therefore, the higher the level of public knowledge about sharia insurance, the better their understanding and acceptance of the benefits and social functions of these products.

2. Public understanding of Islamic insurance is determined not only by individual aspects, but also by the surrounding social conditions. Cultural norms, community support, and the role of Islamic financial institutions in society contribute greatly to how information is perceived and accepted. A number of studies confirm that the integration of Islamic finance with social values can strengthen economic stability, especially when Islamic-based financial literacy grows collectively (Aulia, 2025). In other words, the more intense the social interaction that encourages the application of Islamic values, the higher the potential for the community to understand the benefits of Islamic-based protection.
3. Education plays an important role in shaping public understanding of Islamic financial products, including insurance. A higher level of formal education tends to make it easier for individuals to understand the basic concepts and benefits of Islamic insurance, thereby increasing their participation in these financial products (Tambunan & Lubis, 2022). This finding is in line with another study in Suka Damai Village, which revealed that people with low educational backgrounds tend not to understand the fundamental differences between Islamic and conventional insurance, while those with better education are able to relate the information to the principle of mutual assistance in Islam (Sari, Anita, & Sissah, 2024). Research (Asrorudin et al., 2023) also confirms that people's decision to choose Islamic insurance products is influenced by their educational background, which plays a role in shaping literacy and providing access to better information about Islamic-based financial products. Thus, educational factors, both formal and non-formal, can be seen as the main factors in Islamic financial literacy in society.
4. The information received by the public regarding sharia insurance not only serves as a means of disseminating knowledge, but also as a factor in building trust in the product. When information is conveyed clearly, accurately, and in accordance with user needs, public understanding will increase and encourage them to be more open to sharia principles in financial protection. Thus, the quality and accessibility of information play an important role in expanding public literacy and participation in Islamic insurance products, as evidenced in research that highlights the positive relationship between Islamic literacy and public interest in choosing Islamic protection products (Syahira & Very, 2024). Some of the indicators are: (A) Basic knowledge of sharia insurance (Antonio, 2020), (B) Understanding of sharia principles in insurance (Huda, 2010), (C) Sources of information about sharia insurance (Rahmawati, 2021), (D) Level of sharia financial literacy (Oktarina, 2022), (E) Compatibility of sharia insurance values with local culture or values (Nasution, 2020), (F) Personal experience or that of people around them (Nurhasanah, 2021).

RESEARCH METHODS

The research method used in this study is a descriptive qualitative method, which aims to gain an in-depth understanding of the level of understanding of rural communities regarding the benefits of sharia insurance products in Indonesia. This approach was chosen because it is able to comprehensively explore social phenomena related to perceptions, knowledge, and individual experiences in the context of the culture and religion of rural communities. The research was conducted in Sidorame Timur Village, Medan Perjuangan District, with research subjects selected purposively based on the criteria of age 30-55 years, with a total of 10 respondents, 7 women and 3 men. educational background, and access to information about Islamic insurance. The selection of ten respondents was based on the researcher's aim to uncover rich, detailed information and diverse perspectives regarding a specific phenomenon from a homogeneous or specialized subject group. The primary reason for this choice is to ensure that each respondent can provide in-depth data, allowing the researcher to focus on narrative analysis and contextual interpretation without being overwhelmed by an excessive volume of data, thereby enhancing the internal validity of the findings. Data were collected through in-depth interviews, direct observation, and relevant documentation studies. Furthermore, the data were analyzed using thematic analysis techniques to identify and interpret patterns of understanding and the factors that influence them. To ensure data validity, the researcher used source and method triangulation and validated the interview results with the respondents to ensure that the information obtained was accurate and reliable.

RESULTS AND DISCUSSION

A. Research Results

Based on the results of the research on the Level of Understanding of Rural Communities, it was found that each element is as follows:

1. Comparison of Understanding Based on Education Level

   The qualitative analysis found a significant disparity in the understanding of the benefits of Sharia insurance products based on the respondents' educational levels. Respondents with low education (primary/junior high school graduates) tended to interpret Sharia insurance narrowly, only as 'savings' or 'death compensation'—they failed to grasp the principles of risk transfer (tabarru') and mutual help (ta'awun). Conversely, respondents with higher education (high school/college graduates), despite their small number in the village, demonstrated a better understanding of the ethical concepts and Sharia legality, but still struggled with technical details such as profit-sharing calculations (mudharabah or other akads). This difference indicates that formal education is a key factor, not just in awareness, but also in the ability to internalize and differentiate the principles of Sharia insurance from conventional insurance.

2. Differences in Benefit Interpretation Between Men and Women

   There were discernible patterns in the interpretation of Sharia insurance benefits based on gender roles. Female respondents tended to focus their understanding on the benefits of family financial protection and the practical aspects of fund claims (e.g., for education costs or small business capital), reflecting their role as household financial managers. Meanwhile, male respondents placed greater emphasis on the aspects of Sharia legal certainty (Islamic law) and investment risk management (if linked to a unit trust), demonstrating their orientation towards long-term financial decisions and religious compliance. This thematic difference is important because it shows that the 'benefits' of Sharia insurance are functionally interpreted based on the social and economic roles held by individuals within the rural community.

3. Weakness in Linking Findings to Sharia Financial Literacy Theory

   Although the above findings identify clear patterns of understanding, the study demonstrates a weakness in explicitly connecting them with the employed Sharia Financial Literacy Theory. This theory should have been able to explain why awareness of Islamic law does not necessarily translate into a good functional understanding of the product (e.g., the difference between tabarru' and tijarah). This weakness is apparent when the researcher only describes the finding that understanding differs by education level, but fails to use the theoretical framework to explain the psychological or social mechanisms causing these differences. Consequently, the relationship between the rich qualitative data (respondent narratives) and the theoretical framework intended to serve as its scaffolding becomes superficial.

4. Potential Use of Diffusion of Innovation Theory

   The research findings indicate that the pattern of information dissemination regarding Sharia insurance in Sidorame Timur Village is slow, highlighting a weakness in utilizing the Diffusion of Innovation Theory (DOI).

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The research could be strengthened by using DOI to explain why only a small fraction of highly educated respondents become innovators or early adopters of Sharia insurance products. If DOI were applied, the researcher should analyze communication channels (e.g., the role of religious leaders/ulama vs. insurance agents), innovation attributes (e.g., the relative advantage of Sharia insurance over conventional), and the characteristics of the village's social system to explain the speed, or more accurately, the slowness of this diffusion of understanding.

5. Recommendation for Theoretical Reinforcement

To address this weakness, future research should explicitly integrate the qualitative findings into the theory. For example, the finding on gender comparison can be linked to the concept of Homophily in DOI or Financial Socialization Agents in financial literacy, explaining why women might more readily accept benefits related to social protection. This theoretical reinforcement will transform the finding narratives from mere descriptions of comparison between groups (descriptive) into a more profound explanation of the behavioral patterns and social mechanisms underlying the rural community's level of understanding of Sharia insurance product benefits (analytical), thereby providing a more significant theoretical contribution.

6. Basic Knowledge of Sharia Insurance

Sharia insurance is a form of insurance that operates based on Islamic sharia principles, such as help-help (ta'awun), justice (al-'adl), as well as prohibitions on riba (interest), gharar (uncertainty), and maysir (gambling). This system emphasizes a multi-risk model among participants, rather than the transfer of risk to the company as in conventional insurance. The funds collected from the participants (contributions) are managed in the tabarru' fund, which is used to help participants who experience disasters. Sharia insurance companies themselves only act as managers and not fund owners, so their role is more as a trustee.

Transactions in sharia insurance are regulated by contracts, where the management of funds in sharia insurance must also be free from non-halal elements and supervised by the Sharia Supervisory Board to ensure compliance with sharia principles. The main goal is to help each other among participants in dealing with risks, with transparent and fair financial governance and investment returns that are permissible according to sharia. As one of the rural communities said about basic knowledge about sharia insurance:

"For us, sharia insurance is a type of insurance that is carried out based on sharia principles that are in accordance with Islamic law, such as help, justice, and transparency. In which, this insurance participants collect a joint fund called the tabarru' fund, which will later be used to help other participants who experience disasters. In contrast to conventional which is purely commercial, sharia insurance does not contain elements of riba, gharar, maysir". (Diana's Mother)

7. Understanding Sharia Principles in Insurance

Sharia principles in insurance are based on the principle of help-help (ta'awun), meaning that each participant helps each other through collective funds to overcome the risks that befall one of the participants. This fund is in the form of donations (tabarru'), which are used sincerely to help other participants affected by disasters. All participants and management companies are obliged to exercise their mandate and carry out justice, so that the rights and obligations of each party are maintained in a transparent manner. In sharia insurance, the principle of a clear agreement or contract is also enforced, where every transaction must be based on an agreement that does not contain elements of uncertainty (gharar) or fraud. In addition, it is strictly forbidden to have elements of riba (interest), and maysir (gambling), so that participant funds are only invested in sectors that are halal and in accordance with Islamic law. The following is one of the information from rural communities about understanding sharia principles in insurance:

"For us, sharia insurance is an effort to protect and help each other among a number of people or parties through investment in the form of assets or tabarru' funds which provide a pattern of return in the face of a certain risk. On the other hand, conventional insurance is a type of insurance that uses a sale and purchase contract or contract of a commercial nature, in which the risk is completely transferred from the participant to the insurance company, and the premium funds become the company's assets completely and do not belong to the participant". (Halimah's mother)

8. Resources of Information About Sharia Insurance

Information sources on sharia insurance can be obtained from various official and trusted institutions that play a role in the development and supervision of sharia insurance products in Indonesia. One of the main sources is the Indonesian Sharia Insurance Association (AASI), which serves as a center for data, communication, and information related to sharia insurance and sharia reinsurance businesses in the country. In addition, the Financial Services Authority (OJK) also plays an important role as a regulatory agency that regulates and supervises all activities of the Islamic insurance industry to ensure compliance with Islamic principles. The information provided usually includes explanations of the contracts used, types of products, and transparent fund management by the Sharia Supervisory Board. The following is a statement from a rural community member regarding sources of information on sharia insurance:

"For us, information about sharia insurance is quite clear when explained directly and in simple language. However, sometimes we, as a rural community, are still confused and need a more in-depth explanation of the sharia principles applied in this insurance." (Mrs. Sri Rahayu)

9. Level of Sharia Financial Literacy

Literasi keuangan syariah merupakan kemampuan seseorang dalam mengaplikasikan pengetahuan keuangan, kemampuan dan sikap untuk mengelola sumber keuangannya agar sesuai dengan prinsip syariah . Adapun prinsip-prinsip keuangan syariah yaitu keyakinan pada tuntutan ilahi, tidak ada investasi haram, menghindari ketidakpastian (tidak gharar), tidak judi ataupun spekulasi (maysir), pembiayaan berdasarkan aset rill dan menggunakan prinsip yang berbagai risiko (Nesneri et al., 2023). Berikut salah satu keterangan masyarakat perdesaan tentang tingkat literasi keangan syariah:

"For us as a rural community, we understand the payment system (tabarru' contributions), claims made by submitting documents, and fund management based on transparent sharia principles and mutual assistance among participants. This system differs from conventional insurance because the funds are collective and there is a distribution of surplus to participants." (Mr. Suripno)

10. The Compatibility of Sharia Insurance Values with Local Culture or Values

The compatibility of sharia insurance values with local culture or values is the harmony between the principles of sharia insurance based on Islamic law and the cultural values that apply in the local community. Sharia insurance promotes the concepts of mutual protection, mutual assistance (ta'awun), and cooperation, which are very much in line with the local culture of Indonesia, which emphasizes social solidarity, togetherness, and a sense of mutual assistance among citizens.

"For us, the concept of mutual assistance in Islamic insurance is very much in line with the values that exist in this village. Here, we usually help each other and work together when someone is in difficulty, such as sharing food and other things. Islamic insurance uses the principle of mutual assistance with a joint fund (tabarru' fund) to help other participants who experience misfortune." (Mrs. Jamila)

11. Rural People's Experience with Sharia Insurance

The experience of rural people with sharia insurance is how people in rural areas know, understand, and directly feel the benefits or obstacles in using insurance products based on Islamic sharia principles.

"For us, the registration and premium payment process was quite easy because we were assisted by officers who came to the village. When submitting a claim for a sick family member, the process was quite thorough and required several documents to be completed, but in the end, the claim was paid even though it took

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several days. Our family felt helped because the funds received were very helpful in covering medical expenses. The insurance officer's service was also friendly and willing to explain anything that was unclear, although sometimes there were confusing terms. In general, the experience of using sharia insurance was considered quite good and in line with expectations." (Mr. Budi).

B. Discussion

1. Factors Affecting the Level of Public Understanding of the Benefits of Sharia Insurance Products

The results of the study show that there are several main factors that affect the level of public understanding of sharia insurance. First, basic knowledge is still limited. Most of the respondents do not understand the concept and mechanism of sharia insurance, thus raising doubts in utilizing this product. These findings are in line with research (Wijaya & Ali, 2024), which confirms that Islamic financial literacy, especially financial knowledge, is a major determinant in sharia-based decision-making.

Second, social factors also affect the way people view sharia insurance. Social norms, family environment, and the influence of religious or community leaders are important elements in shaping people's attitudes. Research (Aulia, 2025), emphasizes that the integration of social values and institutional support plays a role in strengthening the collective understanding of Islamic finance practices, including insurance. A similar thing was found by (Pescador Prieto, 2022), which shows that social factors such as family recommendations, experience with agents, and the surrounding environment can affect the interest and understanding of customers, even from non-Muslim circles.

Third, education plays an important role in encouraging the public's ability to understand the principles and benefits of sharia insurance. Research (Tambunan & Lubis, 2022) and (Siti Nurmala Sari et al., 2024), shows that individuals with higher levels of education have a better understanding of the differences between sharia and conventional insurance, compared to low-educated people. Thus, education, both formal and non-formal, can be seen as a determining factor for Islamic financial literacy and understanding.

Fourth, information has been proven to be a factor that affects public perception. Limited access to information or lack of socialization from sharia insurance institutions makes the public lack of understanding of the system implemented. Syahira & Very (2024) emphasized that sharia literacy obtained through accurate information and continuous education has a significant effect on increasing public interest and understanding of sharia insurance products.

2. Constraints

In addition to supporting factors, this study also found a number of obstacles that hinder the improvement of public understanding of sharia insurance. First, the lack of intensity of socialization from Islamic insurance companies. Most of the respondents stated that they had never received a direct explanation, so the information they had was only limited to the media or other people's stories. Second, there is still a negative perception in society that considers insurance, including sharia insurance, close to the practice of riba or gharar. This stigma makes some people hesitate to participate, even though they have been given an explanation. Third, the bad experience of some people in insurance claims is also a psychological obstacle that strengthens distrust. These obstacles indicate the need for a more active approach from sharia insurance companies, both through education, transparency, and collaboration with community leaders and religious institutions to increase literacy while building public trust.

Overall, this discussion emphasized that the public's understanding of sharia insurance is influenced by four main factors, namely knowledge, social, education, and information. These four factors are closely related to each other and together form the level of literacy of the community. However, understanding is still constrained by the lack of socialization, negative stigma, and poor experience in insurance claim practices. This condition emphasizes the importance of a broader and sustainable education strategy, accompanied by active support from sharia insurance

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institutions and community leaders, so that literacy can increase and public trust in sharia insurance products is stronger.

CONCLUSION

The level of understanding of rural communities in East Sidorame Village towards the benefits of sharia insurance products is still relatively low. This is due to the lack of socialization and education carried out by insurance providers, limited access to information and education, and the existence of a negative stigma against insurance based on people's experience with conventional insurance that contains elements of usury and gambling. However, the principles of sharia insurance based on help, justice, and transparency are in accordance with the cultural and social values of rural communities such as mutual cooperation and solidarity. This shows great potential for the development of sharia insurance if accompanied by the right approach. There is a need to increase the intensity and quality of socialization and education about sharia insurance that is tailored to the characteristics of rural communities, including the use of easy-to-understand language and media. Islamic insurance companies need to build more intensive and responsive communication with the public to overcome existing doubts and stigmas, as well as provide friendly and accessible services.

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