

Agribusiness Development Model in Sharia-Based Socio-Economic Planning for Community Welfare in Pakarhumbada Regency

Muller Tamba¹, Chuzaimah Batubara², Isnaini Harahap³

¹Universitas Islam Negeri Sumatera Utara, Indonesia

²Universitas Islam Negeri Sumatera Utara, Indonesia

³Universitas Islam Negeri Sumatera Utara, Indonesia

¹muller4005218071@uinsu.ac.id *✉

²chuzaimahbatubara@uinsu.ac.id

³isnainiharahap@uinsu.ac.id

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ABSTRACT

Keywords:

Sharia Agribusiness Development;
Farmer Welfare;
Maqāṣid al-Syarī'ah;
Sustainable Agribusiness Model;

Background: The agricultural sector, particularly in rural areas like Pakarhumbada in North Sumatra, plays a crucial role in Indonesia's economy. However, despite its potential, the sector faces significant challenges, including low farmer welfare, weak infrastructure, and limited access to modern agricultural practices. This research aims to analyze the development model of agribusiness in Pakarhumbada based on Islamic economics, specifically integrating the principles of maqāṣid al-syarī'ah to improve farmer welfare.

Method: The study employs a qualitative approach combined with path analysis to explore the impact of production inputs, agricultural practices, market systems, and supporting factors on both the implementation of Islamic economics and the welfare of farmers.

Results: The novelty of this research lies in the application of Islamic economic principles, including musyarakah, mudharabah, and wakaf within an agribusiness context, addressing the structural challenges that have hindered optimal agricultural growth. The study's findings indicate that enhancing the agricultural sector's value chain, improving farmer access to finance, and incorporating local Islamic economic practices can significantly improve economic stability for farmers. The future impact of these findings could reshape agribusiness practices in rural Indonesia, creating a more inclusive and sustainable economic environment for smallholder farmers.

Conclusion: The implications of this research suggest that for the agribusiness sector to thrive in regions like Pakarhumbada, policies must incorporate a more holistic approach that integrates Islamic economic practices, strengthens local institutions, and provides equitable access to resources. This framework could serve as a model for other agrarian regions in Indonesia, enhancing both economic and social welfare.

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INTRODUCTION

Agriculture is a strategic sector in the national economy, especially for an agrarian country like Indonesia. More than 30% of Indonesia's population depends on the agricultural sector for its livelihood, and the majority of them are smallholder farmers. Although the agricultural sector plays a vital role in providing food, its contribution to improving farmers' welfare remains relatively low. This is due to a number of challenges that hinder the sector's efficiency and effectiveness in creating prosperity for farmers.

In North Sumatra Province, the agricultural sector plays a crucial role. With its substantial land area and diverse agro-climatic conditions, the province holds significant potential for developing various agricultural commodities, from food crops and horticulture to plantations. Key commodities such as palm oil, rubber, rice, coffee, corn, and vegetables have long been the backbone of rural income and a source of regional foreign exchange. The Pakarhumbada region, which encompasses four regencies in the southwestern mountainous region of North Sumatra Province, boasts a rich landscape with volcanic fertility, optimal altitude, and evenly distributed rainfall throughout the year. This combination makes the region highly suitable for upland agriculture, such as Arabica coffee, oranges, potatoes, cabbage, tomatoes, and various other high-value horticultural commodities.

Historically, the Pakarhumbada community has made agriculture their social identity and economic foundation. The primary livelihood of the majority of the population has been farming, passed down through generations, with farmland still managed using traditional or semi-modern methods. Agricultural commodities such as coffee from Karo and Humbang Hasundutan, and fresh vegetables from Dairi and Pakpak Bharat, have become leading commodities in various regional markets, some even reaching export markets. This agribusiness potential promises improved welfare, but its management is still suboptimal. Limited modern agricultural infrastructure, a weak marketing system, and minimal support from the banking sector and other financial institutions remain major obstacles preventing the agricultural sector from reaching its full potential.

One of the main root causes of the problem is the weak integration between the upstream and downstream sectors in the agricultural supply chain. Although the region has high production capacity, the downstream sector, such as processing industries, modern packaging, and efficient logistics systems, remains severely lacking. Without adequate support from the downstream sector, the added value of agricultural commodities cannot be optimal, and farmers receive only low prices for their crops. Furthermore, the imbalance in the market structure between farmers and middlemen and wholesalers further impairs farmers' welfare. Farmers are often in a weak position in the distribution chain, causing them to lose a significant portion of their profits.

Given the significant potential and challenges faced, a new approach to agribusiness development in the Pakarhumbada region is needed. One approach that can provide a solution is Sharia-based socio-economic planning. The Sharia agribusiness model offers principles of justice, balance, and equity that can improve value distribution and strengthen local economic institutions. The use of Sharia financial instruments, such as *musyarakah* and *mudharabah*, along with a community-based approach, can strengthen the relationship between farmers and the downstream sector and create a more inclusive and sustainable agribusiness system.

Several previous studies have shown that integrating Islamic economic principles into agribusiness development can positively impact community welfare. One study highlighted the social intermediation role of Islamic banking in supporting local economic development, particularly through Sharia-compliant financing that helps farmers obtain business capital fairly and in accordance with Sharia principles. As a result, the lives of farmer groups have become more prosperous and developed (Munanda Meliala et al., 2023). Furthermore, the development of Sharia-based agribusiness has also been proven to increase the income and competitiveness of micro, small, and medium enterprises (MSMEs) in the agricultural sector, although challenges remain in service innovation and human resource development (Rahman et al., 2024).

Other studies emphasize the importance of partnerships between farmers and global agribusiness companies based on the principles of solidarity, continuous training, and group collaboration to improve welfare and the implementation of Sharia economics in the agricultural sector (Setiawati et al., 2024). The model of empowering farmer groups through Islamic economics-based training and mentoring has

also been shown to increase farmers' knowledge, skills, and income, thus positively impacting community welfare (Efrina, 2022). Furthermore, the integration of Sharia-based values and social philanthropy in the economic empowerment of agricultural communities, such as in the aquaculture industry, can improve the standard of living, education, and the fulfillment of basic community needs (Mukhlisin, 2025).

Agribusiness development that adopts the principles of justice, welfare, prohibition of usury, and partnership (*syirkah*) also contributes to equitable profit distribution, ethical financing models, and sustainable business practices that align with community welfare (Daniswara & Miradj, 2024). Community economic empowerment through sharia-compliant cooperatives in rural areas has also been shown to increase access to financing, income, and new business opportunities, thereby strengthening local economic resilience (Ulum et al., 2024).

Overall, these studies confirm that a sharia-compliant agribusiness development model integrated with community empowerment, agricultural innovation, and support from sharia-compliant financial institutions is effective in improving community welfare and encouraging sustainable and equitable economic development at the local level.

Therefore, this study aims to formulate a Sharia-based agribusiness development model that can be integrated into local socio-economic planning to improve community welfare in Pakarhumbada Regency. This research is expected to provide solutions to existing inequalities by developing a more equitable, productive, and sustainable agribusiness system. In this context, Islamic economics offers not only a financial alternative but also a more humane development paradigm aligned with the principles of social justice.

METHOD

This research is entitled "Agribusiness Development Model in Sharia-Based Socio-Economic Planning for the Welfare of Farming Communities in Pakarhumbada Regency (Pakpak Bharat, Karo, Humbang Hasundutan, Dairi), North Sumatra Province." This research is applied research with a quantitative approach aimed at developing a Sharia-based agribusiness model to improve the welfare of farming communities in Pakarhumbada Regency.

The research data sources consist of primary and secondary data. Primary data were obtained through direct observation, interviews, questionnaires, and focus group discussions (FGDs). Questionnaires were distributed to farmers or farmer group members to measure predetermined variables, while observations were conducted to monitor agribusiness activities such as production, harvesting, and marketing, particularly in the local Dairi market. The FGDs involved farmer groups and agribusiness actors to discuss Sharia-based agribusiness models relevant to local culture. Secondary data, including literature, articles, journals, and relevant websites, were used to support the analysis of the Sharia-based agribusiness model.

The study population comprised all stakeholders related to agribusiness in Pakarhumbada Regency, including farmers, religious leaders, regulators, academics, and NGOs across four administrative regions, totaling 903,009 stakeholders. Given the large and heterogeneous population, this study employed a proportional sampling approach. The required sample size was 340 stakeholders, calculated based on the number of latent variables and observed indicators, with a proportional sample distribution based on the population size in each region.

The collected data will be analyzed using quantitative analysis methods with a regional statistical approach. The analytical techniques used include descriptive statistical analysis to describe the characteristics of the sample, respondents, and research variables, as well as inferential statistical analysis, including validity and reliability tests, classical assumption tests, factor analysis, Structural Equation Modeling (SEM) analysis, model fit tests, and hypothesis testing. The SEM model was chosen for its ability to simultaneously examine complex causal relationships between multiple dependent and independent variables.

In this study, validity was tested using Confirmatory Factor Analysis (CFA) in SEM, where factor loadings must have sufficient significance, while reliability was measured using Construct Reliability (CR) and Average Variance Extracted (AVE). Inferential statistical testing involved validity and reliability tests, classical assumption tests, and factor analysis and SEM to test hypotheses. SEM was used to

examine causal relationships between variables and account for measurement error. Furthermore, confirmatory factor analysis was used to identify dominant factors in Sharia-based farmer empowerment, while regression weights were used to assess the extent of influence between latent variables (Hair et al, 200).

Model fit was evaluated using several fit indices, such as Chi-Square, CFI, TLI, RMSEA, and GFI, to assess whether the developed model could be accepted or rejected. If the model did not meet the fit criteria, modifications were made by considering residuals and adding new relationships to the estimated model. The hypothesis was tested using a t-test on the lambda (λ) parameter for instrument validity and the beta (β) and gamma (γ) parameters to test the influence between exogenous and endogenous variables.

RESULTS AND DISCUSSION

SEM Model Assumption Test

Data Normality

Data normality tests consist of single normality tests and multivariate normality tests, where in multivariate normality tests several variables are analyzed together in the final analysis. The results of univariate and multivariate normality tests on the data used in this analysis were tested using AMOS 18.0. The Critical ratio value used is + 2.58 at a significance level of 1%, meaning that if the CR Skewness value exceeds the absolute value of 2.58, the variable is concluded to be not normally distributed.

Table 1. Data Normality Test Results

Variable	min	max	skew	cr	kurtosis	cr
Z4	8,000	11,000	,400	3,013	,070	,262
Z3	7,000	10,000	,322	2,425	,384	1,445
Z2	8,000	11,000	,317	2,388	,260	,980
Z1	8,000	11,000	,311	2,344	,135	,509
Y4	2,000	5,000	,450	3,390	,131	,494
Y3	2,000	5,000	,214	1,612	-,256	-,965
Y2	2,000	5,000	,476	3,580	,229	,860
Y1	2,000	5,000	,691	5,200	,443	1,668
X5	6,000	9,000	,394	2,965	,052	,196
X4	7,000	10,000	,294	2,213	-,272	-1,023
X3	9,000	12,000	,486	3,661	,247	,930
X2	8,000	11,000	,450	3,391	,172	,646
X1	1,000	4,000	,445	3,351	,153	,577
W5	1,000	4,000	,512	3,853	,110	,414
W4	1,000	4,000	,366	2,755	-,243	-,914
W3	5,000	8,000	,557	4,197	,227	,853
W2	6,000	9,000	,458	3,445	,084	,316
W1	8,000	11,000	,417	3,136	-,055	-,208
V5	10,000	13,000	,376	2,831	-,002	-,009
V4	8,000	11,000	,265	1,995	-,282	-1,060
V3	5,000	8,000	,515	3,879	,351	1,320
V2	1,000	4,000	,427	3,214	,128	,483
V1	5,000	8,000	,418	3,146	,130	,491
U5	12,000	15,000	,378	2,843	,053	,199
U4	8,000	11,000	,330	2,487	-,290	-1,090
U3	8,000	11,000	,476	3,580	,229	,860
U2	8,000	11,000	,450	3,391	,172	,646
U1	12,000	15,000	,374	2,814	,084	,317
Multivariate					-3,008	-,677

Source: Appendix 15.4

Outliers Test

Univariate outlier testing This was done by constructing variables using the SPSS 18.0 program, the results can be seen in Table 2. the following

Table 2. Outliers Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Standard Deviation
Zscore(U1)	340	-1.73934	2.41552	,0000000	1,00000000
Zscore(U2)	340	-1.71662	2,40327	,0000000	1,00000000
Zscore(U3)	340	-1.77807	2.42015	,0000000	1,00000000
Zscore(U4)	340	-1.60429	2,11474	,0000000	1,00000000
Zscore(U5)	340	-1.82386	2.35667	,0000000	1,00000000
Zscore(V1)	340	-1.70227	2.41222	,0000000	1,00000000
Zscore(V2)	340	-1.73301	2.38743	,0000000	1,00000000
Zscore(V3)	340	-1.75155	2.48206	,0000000	1,00000000
Zscore(V4)	340	-1.63359	2,18812	,0000000	1,00000000
Zscore(V5)	340	-1.79982	2.29798	,0000000	1,00000000
Zscore(W1)	340	-1.65160	2,23900	,0000000	1,00000000
Zscore(W2)	340	-1.67608	2.31831	,0000000	1,00000000
Zscore(W3)	340	-1.71026	2.32785	,0000000	1,00000000
Zscore(W4)	340	-1.56929	2,15322	,0000000	1,00000000
Zscore(W5)	340	-1.73921	2.27436	,0000000	1,00000000
Zscore(X1)	340	-1.69290	2.39894	,0000000	1,00000000
Zscore(X2)	340	-1.71662	2,40327	,0000000	1,00000000
Zscore(X3)	340	-1.80428	2.42645	,0000000	1,00000000
Zscore(X4)	340	-1.63207	2,15999	,0000000	1,00000000
Zscore(X5)	340	-1.84521	2.33726	,0000000	1,00000000
Zscore(Y1)	340	-1.92190	2.44411	,0000000	1,00000000
Zscore(Y2)	340	-1.77807	2.42015	,0000000	1,00000000
Zscore(Y3)	340	-1.76438	2,17363	,0000000	1,00000000
Zscore(Y4)	340	-1.68698	2.37133	,0000000	1,00000000
Zscore(Z1)	340	-1.73273	2.60973	,0000000	1,00000000
Zscore(Z2)	340	-1.82680	2.72903	,0000000	1,00000000
Zscore(Z3)	340	-2.04740	3,00913	,0000000	1,00000000
Zscore(Z4)	340	-1.71228	2.36838	,0000000	1,00000000
Valid N (listwise)	340				

Source: Appendix 16

Based on Table 4.73 above, the results of the outliers test computation It can be seen that the Z value is in the range + 3. Thus, it can be justified that there are no univariate outliers. in the analyzed data.

Multivariate Outliers

Table 3. Multivariate Outlier Test Results

Observation number	Mahalanobis d-squared	p1	p2
128	52,390	,003	,692
88	47,951	,011	,884
114	47,679	,012	,755
34	45,818	,018	,867
110	45,308	,021	,828
...
...
50	31,446	,298	,622

207	31,373	,301	,626
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Source: Processed data

Table 3. can explain that the test for multivariate outliers was conducted with 28 degrees of freedom according to the number of indicators used in this study $\chi^2 (28:0.001) = 56,892$. Therefore, for all cases that have a mahalonobis distance value greater than 56,892 from the model proposed in this study, they are multivariate outliers. However, in terms of analysis, if the outliers that were found, do not need to be removed from further analysis, because the data depicts the actual situation and there is no specific reason from the respondent's profile that causes it to be removed from the analysis (AT Ferdinand, 2000). In the study, the mahalonobis distance value was found around 31.373 - 52.390, which means it is below the value of $\chi^2 = 56.892$ so it can be said that there are no outliers in the model.

Goodness of Fit Criteria

The results of AMOS data processing can be seen in the image below:

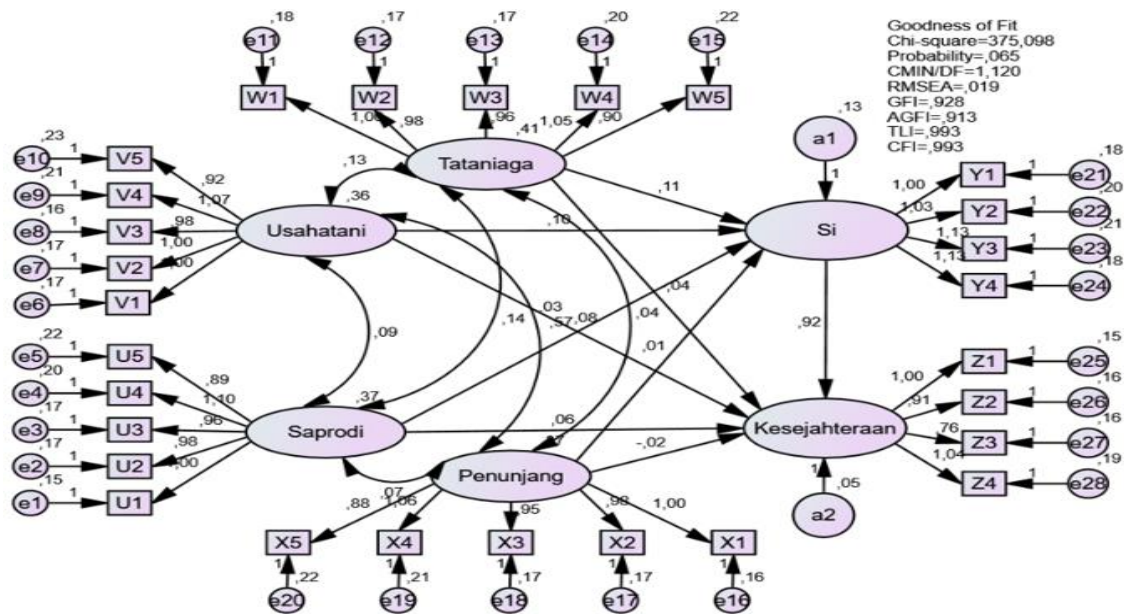


Figure 1. Evaluation of Goodness of Fit Index

Based on the image above and calculations using the AMOS program, the test of the feasibility of the full SEM model was tested using Chi square, CFI, TLI, CMIN/DF and RMSEA which were within the expected range of values, although GFI and AGFI were marginally accepted, as explained in the following table summarized in Table 4.76 below.

Table 4. Goodness of Fit Index Full Structure Equation Model

Goodness of Fit Index	Cut-off Value	Model results	Information
Chi-Square	$\leq 378,658$	375,098	Good
Probability	≥ 0.05	0.065	Good
CMIN/DF	≤ 2.00	1,120	Good
RMSEA	≥ 0.08	0.019	Good
GFI	≥ 0.90	0.928	Good
AGFI	≥ 0.90	0.913	Good
TLI	≥ 0.95	0.993	Good
CFI	≥ 0.95	0.993	Good

*) $\chi^2 df 335 \alpha 5\% = 378,658$

Source: Figure 1. and Table χ^2 (Attachment 17)

In Table 4. above, it can be seen that the chi-square value of 2.925 with a significance level of 0.05 indicates that the model used can be accepted well. The significance level of the confirmatory factor analysis construct is 0.229 indicating that the null hypothesis stating that there is no difference between the sample covariance matrix and the estimated population covariance matrix cannot be rejected and therefore this model can be accepted.

Meanwhile, the measurement indices CMIN/DF, RMSEA, GFI, AGFI and CFI are also within the expected value range. Thus, it can be concluded that the feasibility test of the SEM model has met the acceptance requirements. This means that the constructs used to form a research model have met the feasibility criteria for a model.

Hypothesis Testing

1. Partial t-Significance Test

Table 5. Path Coefficient Value

			Estimate	SE	CR	P	Information
Islamic Sharia	<---	Production facilities	0.569	0.054	10,474	***	Significant
Islamic Sharia	<---	Farming	0.102	0.045	2,264	0.024	Significant
Islamic Sharia	<---	Commerce	0.114	0.044	2,598	0.009	Significant
Islamic Sharia	<---	Support	0.013	0.041	0.319	0.749	insignificant
Welfare	<---	Production facilities	0.055	0.058	0.959	0.337	insignificant
Welfare	<---	Farming	0.076	0.039	1,937	0.053	Insignificant
Welfare	<---	Commerce	-0.04	0.038	-1,046	0.295	Insignificant
Welfare	<---	Support	-0.016	0.035	-0.452	0.651	Insignificant
Welfare	<---	Islamic Sharia	0.916	0.085	10,754	***	Significant

Source: Processed Data

Based on the analysis results in Table 5, it can be explained as follows:

H1 shows that production facilities have a significant effect on the implementation of Islamic Sharia in Pakarhumbada Regency (Pakpak Bharat, Karo, Humbang Hasundutan, and Dairi). The significance value of the production facilities variable is 0.000, which is smaller than 0.05, so Ho is rejected and H1 is accepted, indicating that production facilities have an influence on the implementation of Islamic Sharia in the region.

H2 indicates that farming has a significant effect on the implementation of Islamic Sharia with a significance value of 0.024, which is also smaller than 0.05. Thus, Ho is rejected and H2 is accepted, indicating that farming has an influence on the implementation of Islamic Sharia in the area.

H3 shows that trade has a significant effect on the implementation of Islamic Sharia with a significance value of 0.009, which is smaller than 0.05. Therefore, Ho is rejected and H3 is accepted, indicating that trade has an effect on the implementation of Islamic Sharia in Pakarhumbada Regency.

H4 indicates that supporting variables have no significant effect on the implementation of Islamic Sharia, with a significance value of 0.749, which is greater than 0.05. Therefore, Ho is accepted and H4 is rejected. This means that supporting variables have no effect on the implementation of Islamic Sharia in the region.

H5 shows that production facilities do not have a significant effect on community welfare in Pakarhumbada Regency, with a significance value of 0.737 which is greater than 0.05, which leads to the acceptance of Ho and rejection of H5. This indicates that production facilities do not have an influence on community welfare in the area.

H6 indicates that farming does not have a significant effect on community welfare, with a significance value of 0.053 which is greater than 0.05. Thus, Ho is accepted and H6 is rejected, indicating that farming does not have a significant effect on community welfare in the region.

H7 shows that trade also does not have a significant effect on community welfare with a significance value of 0.295, which is greater than 0.05, so H_0 is accepted and H_7 is rejected, indicating that trade does not have an effect on community welfare.

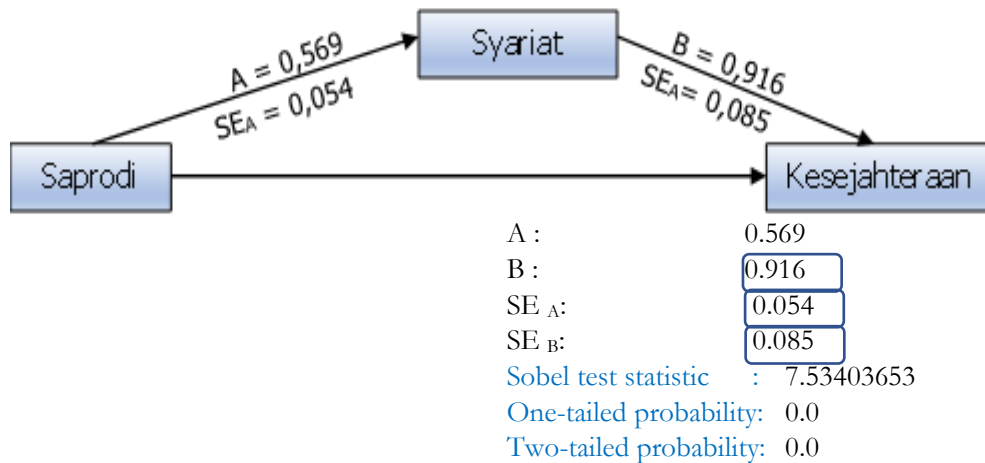
H8 shows that support does not have a significant effect on community welfare, with a significance value of 0.651 which is greater than 0.05, so H_0 is accepted and H_8 is rejected, indicating that support does not have an effect on community welfare in the area.

H9 indicates that Islamic Sharia has a significant influence on the welfare of the people in Pakarhumbada Regency, with a significance value of 0.000 which is smaller than 0.05. Therefore, H_0 is rejected and H_9 is accepted, indicating that Islamic Sharia has a significant influence on the welfare of the people in the region.

2. Sobel Test

H10: Production facilities have a direct influence on community welfare with Islamic law as a moderating variable in Pakarhumbada Regency. (Pakpak Bharat, Karo, Humbang Hasundutan and Dairi).

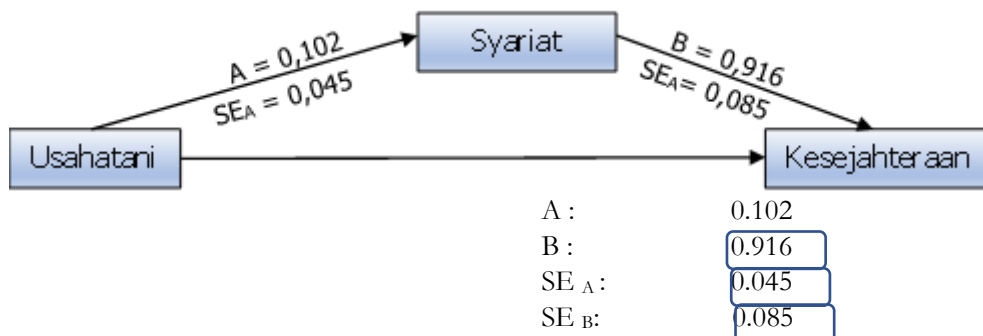
In Table 5. above, the estimated value (A) and CR value (SE A) of the production facilities path to Islamic Sharia to community welfare are seen, so the z value of the Sobel test cannot be generated. To more easily calculate the z value of the Sobel test, you can use the online calculator at www.danielsoper.com, as in the image below:



From the calculation results of the Sobel Test Statistic value, the z value is 7.534, which is smaller than the z table value of 1.96, and the probability level is 0.000, which is smaller than the significance level of 5%. This means that H_0 is rejected and H_{10} is accepted. This proves that Islamic law is able to strengthen the relationship between the influence of production facilities on community welfare.

H11: Farming has a direct influence on community welfare with Islamic Sharia as a moderating variable in Pakarhumbada Regency. (Pakpak Bharat, Karo, Humbang Hasundutan and Dairi).

In Table 5. above, the estimated value (A) and CR value (SE A) of the farming path to Islamic Sharia to community welfare are seen, so the z value from the Sobel test cannot be generated. To more easily calculate the z value from the Sobel test, you can use the online calculator at www.danielsoper.com, as in the image below:

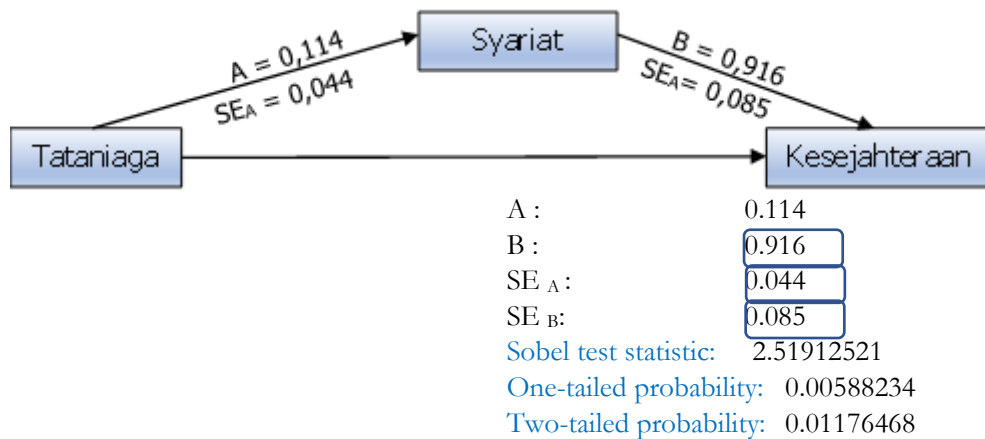


Sobel test statistic: 2.21813178
 One-tailed probability: 0.01327292
 Two-tailed probability: 0.02654585

From the calculation results of the Sobel Test Statistic value, the z value is 2.218, which is smaller than the z table value of 1.96, and the probability level is 0.026, which is smaller than the 5% significance level. This means that H_0 is rejected and H_{10} is ^{rejected} accepted. This proves that Islamic law is able to strengthen the relationship between the influence of farming on community welfare.

H12: Trade has a direct influence on the welfare of society with Islamic Sharia as a moderating variable in Pakarhumbada Regency. (Pakpak Bharat, Karo, Humbang Hasundutan and Dairi).

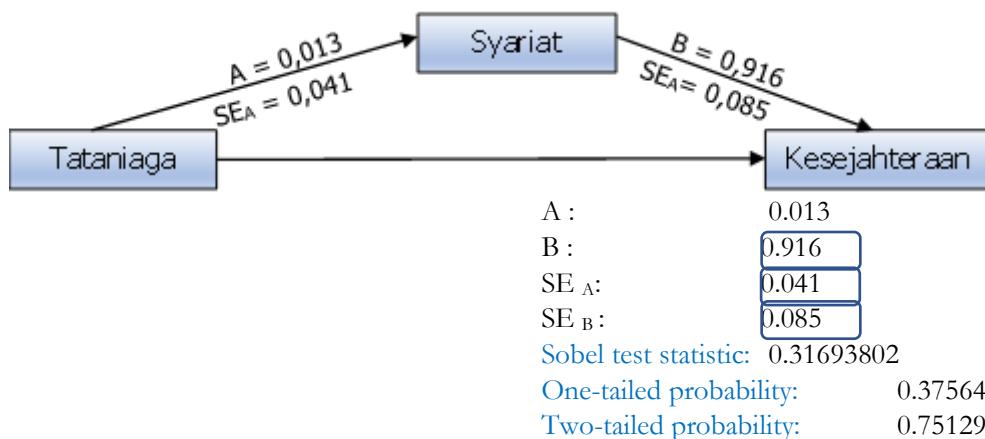
The estimated value (A) and CR value (SEA) of the trade path to Islamic Sharia to community welfare are seen, so the z value of the Sobel test cannot be generated. To more easily calculate the z value of the Sobel test, you can use the online calculator at www.danielsoper.com, as in the image below:



From the calculation results of the Sobel Test Statistic value, the z value is 2.519, which is smaller than the z table value of 1.96, and the probability level is 0.011, which is smaller than the 5% significance level. This means that H_0 is rejected and H_{10} is ^{rejected} accepted. This proves that Islamic law is able to strengthen the relationship between the influence of trade on the welfare of society.

H13: Supporting factors have a direct influence on community welfare with Islamic Sharia as a moderating variable in Pakarhumbada Regency. (Pakpak Bharat, Karo, Humbang Hasundutan and Dairi).

In Table 5 above, the estimated value (A) and CR value (SEA) of the supporting path to Islamic Sharia to community welfare are seen, so the z value from the Sobel test cannot be generated. To more easily calculate the z value from the Sobel test, you can use the online calculator at www.danielsoper.com, as in the image below:



From the calculation results of the Sobel Test Statistic value, the z value is 0.316, which is smaller than the z table value of 1.96, and the probability level is 0.751, which is smaller than the 5% significance

level. This means that H_0 is accepted and H_{10} is rejected. This proves that Islamic law weakens the relationship of supporting influence on the welfare of society.

The discussion in this study examines the influence of several variables on the implementation of Islamic sharia and its impact on the welfare of the community in Pakarhumbada Regency, which includes Pakpak Bharat, Karo, Humbang Hasundutan, and Dairi Regencies. The main focus of this research is four variables, namely production facilities, farming, trade, and support, and how these variables interact with Islamic sharia principles.

The means of production, farming, and trade have been shown to significantly influence the implementation of Islamic Sharia in the research area. This is in line with findings that Sharia-based economic development in villages can increase economic activity, strengthen Islamic values, and encourage socio-cultural transformation in communities, such as increased income, employment opportunities, and participation in religious and economic programs (Alam et al., 2022; Efrina, 2022). The active involvement of village leaders and collaboration with external institutions are also driving factors for the successful implementation of Islamic economics. The analysis shows that means of production have a significant influence on the implementation of Islamic Sharia, with a significance value recorded at 0.000, less than 0.05. This indicates that means of production influence the implementation of Sharia principles in the agricultural sector. Factors that influence production facilities include improving facilities and infrastructure, the use of superior seeds, the availability of fertilizers and pesticides, and a distribution system that must be adjusted to Islamic principles that avoid usury and waste.

Farming also significantly influences the implementation of Islamic Sharia, with a significance value of 0.024, which is less than 0.05. This variable is influenced by factors such as land area, capital, and human resources. Modernization in the agricultural sector, which involves improving technology and production efficiency, has a positive impact on the social life of farmers, increasing their income and giving them more time to participate in social activities. Islam encourages justice in the distribution of agricultural produce, with principles such as *musaqah*, *muzara'ah*, and *mukhabarah* that support mutually beneficial cooperation.

Trading also has a significant influence on the implementation of Islamic Sharia, with a significance value of 0.009, lower than 0.05. Factors influencing trading include domestic and export prices, distribution systems, and post-harvest management. Marketing agricultural products based on Sharia principles can create fairness in transactions and help farmers obtain more reasonable prices. Sharia principles in trade emphasize transparency, honesty, and avoidance of usury, which are expected to improve the market system and increase the welfare of farmers.

However, supporting factors did not significantly influence the implementation of Islamic Sharia, with a significance value of 0.749, which is greater than 0.05. Although factors such as agricultural extension, supporting institutions, and development policies play a significant role, the implementation of Sharia principles in this context is still less than optimal. Supporting institutions that do not implement sharia principles, such as fair cooperation and transparent supervision, reduce the effectiveness of the support provided to farmers.

Interestingly, production facilities, farming, trade, and support do not have a significant direct impact on community welfare. This indicates that improving agricultural economic aspects alone is insufficient to improve welfare without integrating Sharia values. Other studies have also found that empowering farmer groups and accessing Sharia financing does increase knowledge and income, but optimal impact is only achieved if supported by Sharia financial literacy and institutional strengthening (Munanda Meliala et al., 2023; Pasha & Ahmad, 2025).

The results of the Sobel test show that Islamic law significantly moderates the relationship between production facilities, farming, and trade on community welfare. This means that the application of sharia values strengthens the positive impact of economic factors on welfare. This is supported by research which confirms that the implementation of sharia economics, whether through financial products, empowerment of farmer groups, or social intermediation of sharia banking, is able to improve the welfare and financial inclusion of rural communities. However, the supporting variables did not show a significant moderating effect.

This finding confirms the importance of integrating sharia values in village economic development to achieve sustainable prosperity. Strengthening sharia financial literacy, collaboration with sharia financial institutions, and empowering sharia-based farmer groups are key strategies. In addition, government policies and institutional support are essential to expand the positive impact of the sharia economy at the local level.

The integration of sharia economics into agricultural activities and village institutions has been proven to strengthen the implementation of Islamic Sharia and have a positive impact on community welfare, especially if supported by strong sharia literacy and institutions.

CONCLUSION

Based on the research results and discussions conducted in this study, it is concluded that production facilities, farming, and trade significantly influence the implementation of Islamic Sharia in Pakarhumbada Regency (Pakpak Bharat, Karo, Humbang Hasundutan, and Dairi). On the other hand, supporting factors do not significantly influence the implementation of Islamic Sharia in the region. As for community welfare, production facilities, farming, trade, and supporting factors do not significantly influence it. However, Islamic Sharia has been shown to significantly influence community welfare and strengthen the relationship between production facilities, farming, and trade on community welfare in Pakarhumbada Regency. Conversely, Islamic Sharia weakens the relationship between supporting factors and community welfare in the region.

In an effort to achieve the welfare of farming communities through Sharia-based agribusiness development, several suggestions that can be considered in more effective and inclusive socio-economic planning include: first, increasing access to Sharia financing by developing Sharia financial institutions in rural areas and facilitating fairer profit-and-loss-sharing financing for farmers. Second, farmer empowerment through education and training, particularly in sharia-based agricultural management and sustainable agribusiness education. Third, development of supporting infrastructure, including the establishment of farmers' markets and a fairer sharia-based marketing system. Fourth, application of sharia principles in agribusiness management, emphasizing transparency, accountability, and the utilization of zakat, infaq, and sadaqah for the common good. Fifth, increasing market access and product quality assurance, by helping farmers obtain halal certification and quality assurance in accordance with sharia standards. Sixth, collaboration with the government and the private sector to support sharia-based agribusiness policies and sharia financing programs. Seventh, attention to environmental and social aspects, such as promoting environmentally friendly agriculture and empowering women farmers. Eighth, development of a transparent monitoring and evaluation system to assess the effectiveness of implemented programs. Ninth, local governments act as a liaison between producers and consumers and build a website-based information system to make it easier for farmers to find out their farming quotas.

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