

STRENGTHENING FINANCIAL LITERACY OF INDONESIAN MIGRANT WORKERS IN PENANG THROUGH A PARTICIPATORY CONSULTATION APPROACH

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ABSTRACT

This community service activity was conducted on August 9, 2025, in Penang, Malaysia, to enhance the basic understanding of financial management among Indonesian Migrant Workers (PMI). The event was attended by approximately 100 participants and focused on six key topics: cash flow monitoring, budgeting and planning, debt and credit management, smart investing, cost control, and long-term financial management. The implementation method involved personal consultations and group discussions using a participatory approach, supported by visual educational media. The results showed that most participants were not accustomed to recording expenses or preparing budgets and remained vulnerable to consumptive debt and informal financial practices. Nevertheless, participants demonstrated high enthusiasm, began drafting savings plans, and desired to manage their finances more systematically. The consultation sessions encouraged participants to share personal financial issues openly and generated solutions tailored to their specific contexts. This activity indicates that financial education for migrant workers will be more effective if delivered dialogically, gradually, and oriented toward their real needs while living abroad.

Keywords: Financial Literacy, Migrant Workers, Money Management, Consultation, Community Engagement

1. INTRODUCTION

Indonesian Migrant Workers (PMI) play a strategic role in national economic development and household welfare in various regions of origin. In addition to reducing unemployment, PMI also serves as a significant source of foreign exchange through remittances sent to Indonesia. These remittances support household consumption and are used for education, housing, and other productive needs. Based on data compiled by Susiyanti & Setyawan (2020) The amount of remittances sent by PMI reached USD 11.2 billion in 2018, an increase from USD 8.9 billion the previous year. This figure demonstrates that PMIs are not merely workers abroad but also critical economic agents for the country.

Globally, this phenomenon is also reflected in the Migration and Development Brief 40 report published by the World Bank, which noted that total remittances to low- and middle-income countries (LMICs) reached USD 656 billion in 2023, with a projected growth of 2.3% in 2024 (Ratha et al., 2024). The East Asia and Pacific region, which includes Indonesia, the Philippines, and Vietnam, is estimated to receive around USD 136 billion in remittances, signifying the region's central role in the global migration economy (Ratha et al., 2024). However, the amount of remittances received does not necessarily reflect the success of labor migration if it is not accompanied by good financial management.

Several studies have revealed that many migrant workers (PMI) experience difficulties in planning and managing their finances. Marlina et al. (2021) showed that most PMIs working in Hong Kong, Singapore, and Rome do not maintain daily financial records or plan monthly budgets. This leads to uncontrolled spending, and remittances that could be used to build long-term assets are instead utilized for short-term consumption. A lack of knowledge about formal financial products and a reliance on informal remittance channels exacerbate this situation.

Furthermore, Sasaki et al. (2024) and Yusuf et al. (2024) emphasized that low financial literacy among migrant workers and their families contributes to a cycle of remittance dependence, without generating asset accumulation or increasing family economic capacity. The lack of long-term planning also causes some migrant workers to return home in the same financial condition as when they left, sometimes even more vulnerable due to debt traps or investment failures.

Beyond personal issues, environmental and systemic factors also increase Indonesian migrant workers' financial vulnerability. Pertimig (2022) highlighted that although Indonesian migrant workers are legally required to participate in pre-departure training and receive social protection through the Social Security Agency (BPJS Ketenagakerjaan), these training modules have not prioritized financial literacy. Indonesian migrant workers still face difficulties accessing formal financial services such as savings, business loans, and secure remittances due to information constraints, low financial literacy, and complex administrative requirements (Firlana & Mastur, 2023). This situation is also influenced by limited mentoring after Indonesian migrant workers work abroad, as well as the

underutilized role of the community in providing financial education (Sinambela, 2025). Yet, the community has a significant opportunity to help Indonesian migrant workers build awareness and habits of managing their finances more wisely (Sinambela, 2025).

In this regard, Penang, Malaysia, is one of the regions with a significant number of Indonesian migrant workers, particularly in informal sectors such as domestic services, culinary services, and care. While official data on the exact number is unavailable, the presence of the Indonesian worker community in Penang is evident in various social activities and active community networks. This situation creates opportunities for participatory educational interventions that are genuinely tailored to the needs on the ground.

This community service activity is one form of academic contribution to addressing these issues. Financial literacy education is delivered through training covering six main topics: cash flow monitoring, budgeting and planning, debt and credit management, smart investing, cost control, and long-term financial management. The training will be held in person in Penang on August 9, 2025, using a dialogic approach, allowing participants to share experiences and obtain practical solutions to their financial problems. Thus, this activity is expected to help Indonesian migrant workers build a basic understanding and skills in managing personal finances, while raising awareness of the importance of financial planning as part of a sustainable migration strategy. Financial literacy is not just about managing money, but also about designing a more independent and prosperous future.

2. METHOD

A Team of Lecturers from the Faculty of Economics and Business, UPN Veteran Jakarta in Penang, Malaysia, carried out this community service activity on August 9, 2025. This activity focused on improving literacy and personal financial management skills for Indonesian Migrant Workers (PMI), with a practical and dialogical educational approach. All activities were designed to respond to the real needs of participants based on educational visual materials developed in the form of thematic posters. The training material covered six main topics arranged in a coherent yet flexible manner, namely: cash flow monitoring, budgeting and planning, debt and credit management, wise investment, cost control, and long-term financial management. Each topic was presented simply using easy-to-understand language, emphasizing the link between daily financial aspects and the long-term goals of migrant workers.

The event was attended by approximately 100 people, mostly migrant workers working in the household and informal sectors in Penang. The material was not presented in rigid, separate sessions but discussed comprehensively in one large forum. The event then continued with individual and small-group consultations. In these sessions, participants were encouraged to openly discuss their challenges, such as managing their finances, planning savings, and managing debt.

The implementation team acted as facilitators and consultants, providing additional explanations, simplifying concepts, and helping participants develop basic financial plans based on their situations. The primary material used during the activity was an educational poster titled "Financial Management Tips," which outlined the basic principles of financial management in a visual, concise, and applicable manner. This medium was an open communication tool, potentially sparking further discussion during the consultation sessions. In addition to the consultation method, the team also distributed a short questionnaire to some participants as a preliminary assessment of their financial literacy levels. Eighteen respondents (approximately 18% of the total participants) completed the questionnaire. After participating in the activity, they included questions about their financial record-keeping habits, understanding of basic financial concepts, and attitudes toward financial management.

The activity was evaluated informally through feedback sessions and participatory evaluations with participants. Some participants expressed plans to track expenses, establish emergency savings, and postpone non-urgent consumer purchases. This flexible, participatory approach, which prioritized personal interaction, enabled the training to be more relevant and contextualized to the lives of Indonesian migrant workers. The activity emphasized theory or technical procedures and the participants' needs and experiences as the primary starting point for the learning process.

3. RESULTS AND DISCUSSION

This community service activity, conducted by the Faculty of Economics and Business (FEB) Team at UPN Veteran Jakarta, demonstrated that financial literacy remains a pressing need for Indonesian Migrant Workers (PMI), particularly those working in the informal sector and with limited educational backgrounds. The activity successfully created a space for meaningful dialogue, where participants gained basic information on financial management and felt heard when sharing the various financial challenges they face.

a. Minimal Initial Awareness of Financial Management Concepts

Observations, discussions during the activity, and questionnaires completed by 18 respondents (approximately 18% of the total participants) indicated that participants' understanding of basic financial management concepts remained low. Although most respondents (83%) stated they kept personal financial records, half (50%) only recorded expenses occasionally, while the remainder recorded them daily. This pattern indicates that many participants

lacked consistent financial record-keeping habits, risking difficulties monitoring cash flow and planning appropriate spending.



Figure 1: Process of interview with participants (2025)

Most participants had never received formal training in personal financial management, so they relied solely on personal experience or imitated the habits of coworkers without adequate guidance. This lack of understanding was reflected in their inability to differentiate between basic terms such as income, cash flow, and routine expenses. Some considered all money received "leftover remittances" or "spending money," without recording or structured allocation. When asked about their most significant monthly expense, a typical response was "it's all spent on the family," without detailing necessities, personal operating expenses, or backup plans. This situation can impact participants' financial sustainability. Participants found it difficult to review their spending patterns without regular record-keeping. Some even lacked a clear picture of the amount of remittances sent each month or how their families in Indonesia used them. As a result, financial success is often judged by the size of remittances, when a more accurate measure should include the ability to build assets and maintain personal economic resilience.

The focus group discussions also revealed that most participants habitually send almost their entire salary home each month, without setting aside funds for personal needs such as emergencies, medical expenses, or plans to return home. As a result, some are forced to borrow from friends when facing urgent needs at work, despite regularly sending funds to family. Questionnaire data also supports this finding, with 61% of respondents admitting they don't know how to calculate interest or installments on debt, potentially increasing the risk of a long-term debt burden.

This condition aligns with the findings of Marlina et al. (2021), who stated that low financial literacy among migrant workers (PMI) is not only caused by a lack of formal education but also by unequal patterns of household economic communication. Family dependence on remittances creates psychological pressure for PMI to continue sending money without considering personal needs. Furthermore, the lack of PMI involvement in family financial planning in Indonesia weakens their control over the use of remittances. This situation demonstrates the need for education that teaches the technical aspects of managing money and fosters awareness that everyone has the right and need to plan their finances. This activity is the first step in understanding that managing finances is not just about income, but also about the ability to plan, organize, and control money wisely for a more secure and sustainable future.

b. Dependence on Consumption and Consumer Debt

Individual and group consultation sessions revealed that consumer debt remains a significant issue. Several participants had borrowed money through official and unofficial online lending services. Most loans were used for short-term needs, such as purchasing electronics, covering unexpected medical expenses, or meeting family needs in Indonesia. Loans were generally taken without adequately calculating repayment capacity and without a clear understanding of interest rates and late fees.

The questionnaire results showed that 61% of respondents (11 people) did not know how to calculate interest on debt or installments. This situation potentially makes them more vulnerable to the trap of high-interest loans. This problem is influenced by limited access to formal financial information and services. Although 72% of respondents (13 people) stated they have savings for urgent or future needs, the remainder do not yet have a habit of saving in a planned manner. Most respondents (61% or 11 people) admitted to understanding the investment concept, but only a few had actual investment experience. Nevertheless, almost all respondents (94%) considered investment important or very important.



Figure 2: Documentation of Community Services in Penang, Malaysia (2025)

These findings are consistent with those of Suswanto et al. (2024), who explained that migrant workers often rely on informal financial mechanisms due to limited financial education and limited access to formal financial institutions. As a result, they are more susceptible to distinguishing between needs and wants in consumption, and are easily influenced by social pressure, digital advertising, or family expectations. This situation suggests that financial training for migrant workers needs to focus on technical skills and developing a wiser mindset in managing consumption and debt, considering the psychological, social, and environmental factors that influence their financial behavior.

c. Positive Response to Budgeting and Financial Goals

The session discussing simple budgeting and long-term financial planning was one of the most dynamic moments during the event. The facilitator used a Financial Management Tips infographic poster as the main medium, covering six core aspects: budgeting, cash flow monitoring, debt management, investment, cost control, and long-term planning. The poster's design, with visual icons, contrasting yet reader-friendly colors, and simple language, made the material easy for participants with diverse educational backgrounds to understand. The presentation was interactive, with the facilitator not only explaining the points on the poster but also relating them to real-life financial situations experienced by participants on a daily basis.

The impact was evident in the changing attitudes of participants throughout the session. Initially, most assumed income distribution was spontaneous, sending most of their salary to their families and using the remainder for personal needs without planning. However, after understanding the income allocation concept, participants began creating more structured monthly budget simulations. Some started to establish proportions, such as 50% for family in Indonesia, 30% for personal needs, 10% for savings, and 10% for an emergency fund. While these figures varied among participants, a mindset for separating financial items began to emerge.

During this session, some participants expressed plans to adopt new financial habits, such as opening a separate savings account in Malaysia to track spending and ensure they have monthly money set aside. Others stated they would try to save at least 10% of their salaries before sending the rest to their families, aiming to reduce their reliance on others for emergencies. These statements indicate a shift in mindset from reactive to more proactive financial management, although implementation still requires ongoing guidance and monitoring.

During the budgeting session, discussions about long-term financial plans that lead to investments emerged. Several participants shared ideas for opening a boarding house, starting a culinary business, raising chickens, or buying land and a house in their hometown. These ideas emerged naturally in the conversation, without any coercion from the facilitator, indicating that participants were beginning to connect current income management with future economic goals. This shift demonstrates that budgeting materials presented, contextually, and with concrete examples can help shape new mindsets. Participants no longer view their salaries simply as money to be spent or sent immediately, but also as a source of income.

d. The Added Value of Personal and Group Consultations

One of the key strengths of this program is the use of individual and group consultation formats as the mentoring method. This approach allows participants to discuss specific financial issues, from how they manage their monthly salaries and cover debt burdens to prioritizing the use of remittances sent to their families in Indonesia. The facilitators create a warm, open, and judgment-free atmosphere, allowing participants to feel safe discussing typically considered sensitive topics. This will enable discussions to flow naturally and openly, often leading to deeper conversations about spending habits, family pressures, and the challenges of maintaining financial stability while working abroad.

Group consultations provide diverse knowledge and learning opportunities. Participants can share stories about how they manage their income, including their challenges and efforts to overcome them. While not all experiences apply to everyone, this process provides new perspectives and generates ideas relevant to the circumstances of other participants. This activity fosters community, as participants recognize that many other Indonesian migrant workers share their challenges.

One of the strengths of this method is its flexibility in providing recommendations. The facilitator doesn't provide uniform advice, but adapts it to each participant's abilities and situation. For participants with limited income, for example, the recommended initial steps are to keep simple daily records and regularly set aside a small amount for an emergency fund. Meanwhile, for those with long-term plans such as starting a business or purchasing assets, the facilitator helps map out realistic initial steps so that these goals can be achieved gradually without sacrificing basic needs.

In addition to providing practical knowledge, this consultation approach also builds participants' confidence. They feel that each piece of the advice supplied is relevant to their financial situation and immediately applicable. Participants' active involvement in the discussions makes the learning process more meaningful, as they listen to explanations and process and adapt them to their contexts. In this way, individual and group consultations provide information and a shared learning space, combining education, motivation, and social support. These activities help foster a more intentional mindset for managing income, encourage participants to make wiser financial decisions, and create social bonds that can support the sustainability of positive changes in their financial behavior.

e. Challenges and Limitations

Although the event ran smoothly and received a positive response from participants, its implementation faced several challenges that warrant further attention for future program development. The first challenge was time constraints. The event lasted only one day and included many participants, significantly limiting the opportunity for in-depth consultations with each individual. Consequently, some essential topics, such as long-term investment planning or business startup strategies, could not be discussed in detail. More complex questions could not be addressed due to the tight schedule.

The second challenge relates to differences in participants' digital literacy levels. While some are familiar with smartphones and social media, many have never tried digital financial services like banking apps or e-wallets. Some participants also expressed concerns about the risk of online fraud, leading them to be reluctant to utilize technology, even though it could save cost and time. A third challenge is the psychological barrier to disclosing personal information. Topics such as debt levels, difficulty meeting family needs, or long-term financial plans are often not discussed in detail by participants, especially in group forums. Reticence, fear of failure, or fear of negative judgment lead some participants to provide only general descriptions without mentioning the specific situations they face.

This situation suggests that improving PMI financial literacy requires a more in-depth and personalized approach. Follow-up programs can be designed with longer durations, community mentoring sessions, and the use of various educational media, from face-to-face sessions to visual media and online platforms, to reach all participants effectively. Thus, financial literacy for PMI is expected to be more than a one-time activity, but rather a continuous and adaptive mentoring process that adapts to actual needs.

4. CONCLUSION

A community service activity held on August 9, 2025, in Penang, Malaysia, significantly increased awareness and basic understanding of financial management among Indonesian Migrant Workers (PMI). Through personal and group consultations, participants received information and the opportunity to discuss their financial habits and strategies tailored to their circumstances. The information obtained from this activity indicated that most PMIs still have limited financial literacy. Many participants do not understand the difference between cash flow and routine expenses. They tend to spend most of their income without setting aside savings, and are vulnerable to informal financial practices and consumer debt. However, using simple visual media and communicative language successfully encouraged active participation from participants. This was evident in the participants' enthusiasm in preparing simple budgets, formulating financial goals, and expressing commitment to starting regular savings and considering future investments.

Direct consultations proved effective for building trust and closeness between facilitators and participants. Personal experiences that are typically difficult to share in larger forums could be discussed openly, allowing solutions to be more relevant to each individual's situation. This activity emphasized that financial education is not simply about conveying concepts; it must also accommodate participants' emotional, psychological, and social needs. Although the activity ran smoothly, time constraints, varying digital literacy skills, and psychological barriers to sharing personal information present challenges that must be addressed in future programs. Therefore, this activity represents an initial step toward strengthening PMI's financial literacy through an inclusive, participatory, and contextual approach. These efforts are expected to encourage PMI to become more economically independent, plan wisely for the future, and contribute more optimally to family welfare and national development.

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