

# Building Economic Independence for Indonesian Immigrants in Malaysia Through Improved Financial Literacy

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**Abstract:** Indonesian migrants in Malaysia face significant economic vulnerability due to low and unstable incomes, limited access to formal financial services, and insufficient financial literacy. These conditions often lead to poor money management, debt dependency, and lack of long-term financial planning. This community service program aimed to enhance the financial literacy of Indonesian migrants in Malaysia as a strategy to strengthen their economic independence. Using the Participatory Action Research (PAR) method, the program involved migrants as active partners in identifying financial challenges, designing relevant training, and implementing practical solutions. Activities included daily financial management workshops, budgeting simulations, and introductions to simple financial applications. Conducted in Kuala Lumpur over eight months, the program reached participants from various informal sectors. The results showed increased participants' ability to record expenses, plan budgets, set savings goals, and encourage productive financial practices within their families. The initiative also fostered awareness of the benefits of formal financial services. In conclusion, improving financial literacy through a participatory approach can serve as an effective catalyst for empowering migrants to achieve sustainable economic independence.

**Keywords:** Financial Literacy, Economic Independence, Indonesian Migrants, Malaysia, Participatory Action Research.

## Introduction

Data published by the Central Statistics Agency (BPS) in 2025 predicts that Indonesia's population will reach 284.44 million, consisting of 143.55 million men and 140.89 million women. This increase has been slowly starting since 2015. Table 1 provides data on the increase in Indonesia's population from 2015 to 2025. This increase will pose a new challenge for Indonesia's population as it is not accompanied by an increase in the number of jobs in Indonesia.

The challenge of job availability in Indonesia motivates some Indonesian citizens (WNI) to work in other countries with abundant job opportunities. Countries such as Singapore, Malaysia, Thailand, and Australia are the most popular destinations for the Indonesian diaspora (Nabila et al., 2025; Tambunan, 2025). The reason for this is often because these countries are geographically close to Indonesia. Currently, the number of Indonesian diaspora in Malaysia has reached

2.7 million people, making it the country with the largest diaspora population for WNI. Most WNI working in Malaysia are employed in the plantation, construction, and domestic sectors. However, out of the previously mentioned number, only 1.6 million people have official permits from the Indonesian Migrant Workers Protection Agency (BPPMI) (UN Migration, 2023).

This makes Indonesian immigrants in Malaysia face various challenges in maintaining their livelihoods, especially from an economic perspective. Many of them work in the informal sector with low and uncertain incomes. Not only that, limited access to formal financial institutions and a lack of understanding of financial management often trap them in a cycle of debt or unproductive financial practices (Jain et al., 2024).

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**Table 1.** Population Growth in Indonesia from 2015 to 2025

Year	Man*	Woman*	Total*
2015	128.48	127.10	255.59
2016	129.91	128.59	258.71
2017	131.31	130.04	261.89
2018	133.14	131.88	265.02
2019	134.66	133.42	268.07
2020	136.66	133.54	270.20
2021	137.87	134.81	272.68
2022	139.39	136.38	275.77
2023	140.79	137.91	278.70
2024	142.19	139.42	281.60
2025	143.55	140.89	284.44

\*) data shown in millions

This situation is exacerbated by job instability, high living costs in urban areas of Malaysia, and social and legal pressures as migrant workers, especially for those without official documentation. Immigrants often lack emergency savings, insurance, and adequate long-term financial planning (Abd Sukor et al., 2025). As a result, their level of economic vulnerability is very high, which in turn hinders efforts toward economic independence.

Financial literacy is a crucial aspect that can help immigrants manage their finances more wisely and effectively (Mahfirah et al., 2024). Financial literacy is not only related to knowledge about financial products, but also includes the ability to budget, save, avoid consumer debt, and plan for the future independently (OECD, 2016). Unfortunately, the level of financial literacy among Indonesian migrant workers remains relatively low (Rahmawati et al., 2024).

In response to these challenges, this community service activity offers solutions through education and financial literacy assistance tailored to the needs of immigrants, using a practical approach that involves training in daily financial management, budget planning simulations, and an introduction to simple financial applications. The hope is that this initiative will serve as a catalyst for enhancing immigrants' economic capacity while strengthening their financial independence in the long term. This financial empowerment aligns with the Sustainable Development Goals (SDGs), particularly the objectives of reducing poverty and increasing financial inclusion (Lisnawati et al., 2023).

Method

Participatory Action Research (PAR) is a community service method chosen by the service team. PAR has advantages in the community service process because it involves the subjects of service as active partners, not objects. The PAR method was developed

by Kemmis & McTaggart (2005) to promote empowerment, trust, and transparency between community service providers and their partners. PAR can build local capacity through collaborative learning processes (Salman & Ramsis, 2025). Community service providers design cycles or activity flow models according to Figure 1 to facilitate readers' understanding of the process.



**Figure 1.** Participatory Action Research

In the initial stage of community service, the service team identified Indonesian immigrants in Malaysia as their service partners. The selection of partners was based on the fact that the majority of Indonesian immigrants chose Malaysia as their destination country. In the first phase, the community service team explored the issues faced by Indonesian immigrants through social media, read literature or scientific articles that had discussed the problems faced by immigrants in Malaysia, and contacted one of the immigrant representatives in Kuala Lumpur. The problem identification process focused on several questions, such as the most urgent issues or needs, unresolved problems, and whether the issues affect many people within the community, among others. After obtaining a list of issues faced by the partner, the volunteer team will proceed to identify the root causes of the problems. The volunteers also consider cultural, environmental, and economic factors that contribute to the partner's issues. PAR prioritizes the process of listening and building trust with the partner and emphasizes the process of reading various relevant literature.

The second stage carried out by the volunteers is action planning. The steps taken by the volunteers include: 1) determining the objectives and targets of the activity, 2) designing the form of the activity, 3) compiling a timeline for the activity, 4) designing the use of resources owned by the volunteer team, and 5) designing success indicators. The outputs of this stage include an activity plan document, timeline, role and responsibility matrix, budget design, and success indicators. The second stage must be developed considering the concepts of learning-oriented, inclusive,

contextual, and flexibility. The following table 2 provides the timeline for the volunteer activities.

The third stage is the implementation of the action. The implementation of the community service activities is tailored to the needs of the partners, and the duration of the activities is adjusted to the availability of the partners amidst their daily activities. The location of the activities has been agreed to be held in Kuala Lumpur because the number of Indonesian migrants in Kuala Lumpur is the highest (UN Migration, 2023). The fourth stage is observation and documentation, which is carried out simultaneously with the third stage. The service team conducts observation and documentation of questions, complaints, and confirmations from activity participants during discussion and question-and-answer sessions. At this stage, the service team will analyze the depth of the issues and note key points to be discussed further in the reflection or evaluation stage.

Table 2. Timeline of community service activities

No	Activities	Month							
		3	4	5	6	7	8	9	10
1	Problem identification	■							
2	Action plan		■	■					
3	Implementation			■	■				
4	Observation and documentation				■	■			
5	Reflection					■	■		
6	Replanning						■	■	
7	Activity reporting							■	■

The reflection stage is the fifth stage of PAR-based community service. At this stage, the community service team will evaluate the activities that have been carried out. The next stage is re-planning to decide on community service activities for 2026. At the re-planning stage, the community service team will discuss whether in 2026, the community service will be carried out with the same partner or decide to determine a new partner.

Result and Discussion

The community service activity was carried out over eight months, from April to October, beginning with the problem identification stage and ending with the activity reporting process. In the initial stage of the activity, the community service team actively explored the issues by reading scientific articles discussing the problems faced by Indonesian immigrants in Malaysia. Additionally, the community service team communicated via email and Zoom Meetings with immigrant representatives, as shown in figure 2. The issues we identified include violence and labor

exploitation, legal status, access to basic services, and financial crises. The volunteer team engaged in in-depth discussions during the action planning stage, taking into account the competencies and expertise of the human resources (HR) available. At this stage, the volunteers developed a volunteer team matrix, as shown in table 3 Activity documentation and observation is attached in Figure 3.

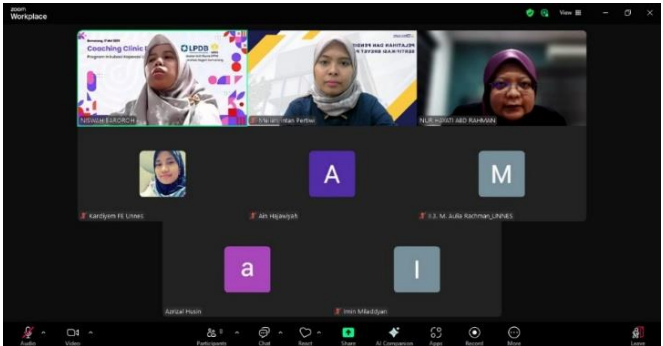


Figure 2. Early-stage discussions with partners when identifying issues



Figure 3. The second stage of discussion is action planning.

Table 3. Expertise profiles and contributions of the service team

Name	Expertise and contributions
Prof. Heri Yanto, MBA, Ph.D	1. Organizing the entire community service process 2. Expert in management accounting
Niswah Baroroh, SE, M.Si	1. Managing community service funding 2. Expert in financial accounting
Meilani Intan Pertiwi, SE, M.Acc.	1. Communicate intensively with partners 2. Expert in the field of sustainability accounting
Irnin Miladdyan Airyq, S.M., M.Si.	1. Preparing evaluation materials 2. Expert in the field of investment management
Undergraduate students	1. Documenting the entire service process 2. Supporting the team during the service process



Based on the results of the mapping team, which was dominated by experts in accounting, finance, management, and investment, the service team decided to resolve the financial issues. Since the service used the PAR approach, the service team proposed the title of the service activity to the partner and developed the implementation process after it was approved by the partner. The title presented by the service team is "Improving Financial Literacy for Indonesian Communities in Malaysia: Building Economic Independence Abroad."

In the next stage, the community service team developed educational materials, beginning with the importance of financial literacy for Indonesian immigrants. This material was presented by the team considering that one of the major challenges faced by immigrants is the high cost of living in Malaysia. Evidence of the delivery of materials to Indonesian immigrants is shown in Figure 4. Another reason is that immigrants are at risk of losing their jobs because there is no protection from the Indonesian government for workers abroad, which binds the companies where Indonesian immigrants work. Immigrants also risk falling ill and requiring significant funding, as well as facing legal issues because some immigrants do not have official permission from the Indonesian government to work in Malaysia (Effendi & Rahmi, 2024).



Figure 4. Knowledge transfer process with Indonesian immigrants in Malaysia

Another challenge faced by immigrants is limited savings, despite having a regular monthly income (Rahmawati et al., 2024). This point reinforces the hypothesis that immigrants use their income for a consumptive lifestyle for themselves or to meet the daily needs of their families in Indonesia. Immigrants often only send money to their families without realizing that the funds they generate are limited. As a result, families in Indonesia continue to depend on immigrants and are unable to manage the money they receive. Researchers emphasize to immigrants that it is important for them to motivate their families to start small businesses in their hometowns so that the money they receive can continue to circulate. The ultimate goal is for families in Indonesia to no longer depend on immigrants in Malaysia, and for

immigrants to be able to plan their finances for the future.

**The Living Conditions of Indonesian Immigrants in Malaysia**

Indonesian immigrants working in the informal sector in Malaysia generally occupy low-skilled positions such as construction workers, domestic helpers, and farm workers (Dewanto, 2024). These types of jobs require heavy physical labor and long working hours, but are only rewarded with low wages. It is not uncommon for them to be paid below the minimum wage and not receive additional benefits. Because they work informally, they are not registered in the official labor system and therefore do not have access to social security, health insurance, or long-term job security.

The daily lives of immigrants are marked by limitations and uncertainty. They typically live in overcrowded settlements that fall far short of acceptable standards, such as cramped rental houses, labor dormitories, or even emergency shelters. Their living environments are often unhealthy, lacking sanitation, and prone to disease. In such conditions, immigrants must manage their limited income to meet basic needs such as food, transportation, and sending money to their families in Indonesia. This situation adds to their psychological burden, as they often feel isolated and lack adequate social support.

Table 4. Conditions of Indonesian Migrants in Malaysia's Informal Sector

Aspect	The Situation Faced
Type of work	Construction workers, domestic workers, gardeners
Wages or salary	Low, often below standard, without allowances
Social Security	Not available (no insurance, pension, etc.)
Residence	Overcrowded, unsanitary, uninhabitable
Income	Limited, must be strictly regulated for basic needs
Social Pressure	Missing family, feeling isolated, lack of community support
Legal Protection	Minimal, vulnerable to exploitation and discrimination without legal protection

In addition to economic burdens, immigrants also face social and psychological pressures due to separation from their families, fear of deportation, and discriminatory treatment. They are reluctant to report mistreatment or rights violations due to their unclear legal status or fear of arrest. Access to legal aid, mental health services, and support organizations remains severely limited. The lack of adequate legal protection results in many cases of exploitation, violence, and

human rights violations remaining unresolved. This situation makes them a highly vulnerable group within Malaysian society. To provide a clearer picture of the realities faced by Indonesian immigrants in the informal sector in Malaysia, a summary has been compiled covering the types of work, income ranges, and various social and economic challenges they experience. Table 4 shows the conditions of Indonesian migrants in Malaysia, examined from several aspects.

### Problems in Managing Finances

From group discussions and brief interviews during the community service activities, it was found that many immigrants are not accustomed to recording their daily expenses, do not have a monthly budget plan, and most do not have emergency savings. Some of them even experience difficulties when they have to send money to their families in Indonesia on a regular basis.

A lack of understanding about how to manage money causes many immigrants to fall into debt, informal loans, or use money for immediate consumption without considering the long term. A lack of knowledge and skills in managing finances makes them even more vulnerable in facing emergencies, such as job loss, illness, or other urgent needs (Risna Wijayanti, 2025).

### Solution: Financial Literacy Training

Financial literacy training is a strategic solution to improve individuals' ability to manage their finances wisely (Suranto et al., 2024). This activity provides a basic understanding of the importance of financial planning, debt management, investment, and the responsible use of financial products and services. With good financial literacy, people can make the right financial decisions in their daily lives. Rahmawati et al. (2024) emphasizes that improving financial literacy has a direct impact on improving the welfare of the community.

This training can be carried out continuously using participatory methods and a contextual approach tailored to the needs of the target group. Training facilitators can use visual media, budget simulations, and case studies to explain financial concepts in a practical and easy-to-understand manner. In the training, participants can be encouraged to prepare a household budget, record cash flow, and set short-term and long-term financial goals. This training can also be reinforced with an introduction to financial technology applications that support personal financial evaluation and recording (Naser et al., 2025).

Through financial literacy training, individuals especially vulnerable groups such as housewives, can strengthen their family's economic resilience. They will be better prepared to face emergencies, avoid excessive

consumption, and develop a thrifty and productive mindset. Additionally, this training encourages the community to actively use safe and secure formal financial services. Thus, financial literacy training contributes to supporting sustainable development goals, particularly in terms of poverty reduction and financial inclusion (OECD, 2016).

### Conclusion

This community service activity successfully improved the financial literacy of Indonesian immigrants in Malaysia through a Participatory Action Research (PAR) approach. Over the eight months of implementation, participants demonstrated improved skills in budgeting, recording cash flow, setting savings goals, and managing income more productively. The participatory approach allowed training materials and methods to be tailored to the context and real needs of partners, resulting in more applicable outcomes. The implications of this activity are increased awareness among participants of the importance of long-term financial planning and the utilization of formal financial services, contributing to the strengthening of economic independence in the diaspora. Moving forward, similar programs can be expanded to other regions with high immigrant populations, accompanied by intensive mentoring and long-term evaluation to ensure the sustainability of benefits.

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