

Financial Literacy Empowerment of Indonesia Migrant Workers in Singapore

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ABSTRACT

The placement of Indonesian Migrant Workers (IMW) abroad is an effort to realise equal rights and opportunities for workers to obtain decent work and income. Many Indonesian migrant workers experience difficulties managing finances and obtaining relevant information in their country of work. Therefore, the purpose of the community service was to enrich the financial literacy of the migrant workers in Singapore through workshop methodology. The methodology enabled the participants to learn by doing about financial literacy. This community service stage includes analysis of partner needs, planning, implementation, and evaluation. The evaluation results show that migrant workers can prepare financial plans using a learning-by-doing model on worksheets.

INTRODUCTION

The placement of Indonesian Migrant Workers (IMW) abroad is an effort to realise equal rights and opportunities for workers to obtain decent work and income. Its implementation is carried out while considering dignity, human rights, legal protection, equal employment opportunities, and the provision of labour by national law (Suhartoyo, 2019). This international migration is caused by economic differences between countries, low wage levels, difficulty in obtaining adequate work in developing countries and the existence of job opportunities and high wages in destination countries (Noveria, 2017). IMW is a government effort or programme that aims to take advantage of available international job opportunities to reduce unemployment and poverty in Indonesia (Fikriansyah & Julia, 2023). According to data from the Ministry of Education and Culture, in 2023 there were more than 250,000 Indonesian migrant workers in Singapore working in various sectors in Singapore (Kemdikbud, 2023). They are an important part of the workforce in the country and have a significant role in contributing to the economy.

IMWs in Singapore face challenging working conditions. Many of them work far from their families and do not have adequate social support. IMW education levels in Singapore vary, from primary school to secondary school. This level of education ultimately also influences the level of financial literacy. Financial literacy is a set of information and skills that enable people to choose financial institutions and products that suit their financial goals (Mulyati & Hati, 2021; Nury & Prajawati, 2022). Financial literacy is a series of processes or activities to increase knowledge, confidence and skills to manage finances better (Sekararum et al., 2020). This series of activities serves to increase insight or understanding and self-confidence so that they can manage finances well (Buchdadi et al., 2022; Sudrajat & Setiyawan, 2022). Financial literacy is an understanding of basic financial concepts and managing owned funds so that they develop and improve prosperity in the future. This is by what was revealed by Bank Indonesia (BP2MI, 2024), how important financial literacy is for Indonesian migrant workers. "Including so that they can manage the finances they get every month from their salary. Because quite a few of them are deceived by the practice of loans with high interest rates and end up becoming victims. We hope that after completing the contract, we will get enough money and return to our country for business capital" explained Benny at Bank Indonesia, on Friday (31/5/2024)".

The urgency of this activity is driven by two important factors. First, financial problems and uncertainty among IMWs throughout the country are significant issues. By increasing their financial literacy, IMWs can reduce the risk of loss of income, build financial security, and prepare for a more stable financial future. Therefore, community service activities carried out by the School of Business and Management (SBM) can provide practical and in-depth solutions that are relevant to the needs of IMWs in Singapore, by providing an understanding of good financial principles, as well as introducing them to financial products that suits their situation. Second, this activity also supports sustainable development goals in the context of economic and social

empowerment. Last but not least, the publication of this activity in the academic journal is another thing that is also important: to disseminate and attract more stakeholders to support the Indonesian Migrant Workers (IMW), especially in Singapore. In addition, a publication that discusses Indonesian Migrant Workers (IMW) in Singapore with financial literacy empowerment is hard to find using an international language.

IMPLEMENTATION AND METHODS

According to OJK (2024), implementing financial education to increase public financial literacy is very necessary because based on a survey conducted by OJK in 2022, the financial literacy index of the Indonesian population was 49.68%, an increase compared to 2013, 2016 and 2019, respectively. only 21.84 %, 29.70% and 38.03% respectively. Therefore, there are two major materials presented in the training on June 23 2024 to IMWs in Singapore, namely (1) Four steps for carrying out financial planning and (2) Investment strategies to avoid fraudulent investments. Above is a flyer distributed to IMWs in Singapore. Regarding the first topic, there are four steps conveyed to IMWs in Singapore to carry out financial planning, consisting of:

1. Identifying the Mindset. Mindset is actually a person's way of thinking or viewing everything that happens around them. There is a factor that significantly influences a person's ability to successfully manage finances, namely mindset. Mindset will determine a person's life targets, namely life planning steps. Many people limit their life targets because of the wrong mindset. A person's mindset is influenced by many factors, such as past experiences, family or environmental conditions. Therefore, IMW needs to understand this concept before carrying out financial planning. After a brief explanation about mindset, the IMWs were immediately asked to fill out a worksheet on the shift in mindset they wanted to make. What mindset do they think is wrong all this time and what do they want to change? For example, the old mindset "I failed because my environment was too difficult" changed to a new mindset "It was precisely because my environment was difficult that it shaped me into a more responsible person."



Picture 1. Flyer for 23 June 2024

OLD MINDSET	NEW MINDSET

Picture 2. Worksheet of Mindset Shifting

2. Determining life targets. Life targets will influence financial planning. The bigger a person's dreams and life targets, of course, the greater the planning required. Migrant workers need to identify their life targets, both short-term and long-term.

LIFE TARGETS

1.
2.
3.
4.
5.
6.
7.
8.

Picture 3. Worksheet of Life Targets

3. Identifying the financial conditions. By identifying their financial condition, migrants understand whether it is healthy or not. Many people are familiar with the term health check-up, but it is different from a financial check-up. Like the body, the financial wallet also has the potential to "get sick". Therefore, this section invites Singapore IMWs to prepare their clean financial reports.

ASSET	DEBT

Picture 4. Worksheet of Net Worth

The next step is to find out where their finances are detected to be unhealthy by using five wallet check ratios along with ideal benchmark numbers as a comparison. After that, look for solutions to make their finances healthier. Five ratios are simulated and calculated by migrant workers, namely:

- a. Emergency fund ratio = cash plus savings divided by routine expenditures. Healthy finances will have a ratio of at least 4. This means that IMWs have the cash to meet their living needs equal to or more than 4 times or 4 months. As the name suggests, emergency funds are needed when an emergency occurs, for example, a sudden loss of work or prolonged illness.
- b. Debt instalment ratio = number of debt installments per month divided by regular income per month. This ratio is to check how many debt instalments there are each month. Healthy finances are a maximum of 35% of monthly income used to pay debt instalments.
- c. Savings ratio = the amount of money saved per month divided by the regular income per month. Healthy finances mean that at least 10% of the monthly income is used for savings.
- d. Debt Ratio = debt divided by total assets. Healthy finances mean that the proportion of debt should be smaller than 50% of total assets. The smaller of course the better.
- e. Investment ratio = total investment assets divided by total assets. Healthy finances mean that the proportion of investment assets must be greater than 50% of total assets.

RATIO	MY FINANCIAL PERFORMANCE
Emergency fund	
Debt instalment	
Savings	
Debt	
Investment	

Picture 5. Worksheet of Personal Financial Check-Up

4. Regular evaluation.

- a. When IMW financial check-up results are not good, one solution is to differentiate between needs and wants. Because the success of financial management is more determined by the success of managing expenses. This is because our power of control over expenses is greater than our power of control over our income. Therefore, filling out the needs and desires worksheet is very important, so that IMWs can be aware that this affects the health of their financial wallet.

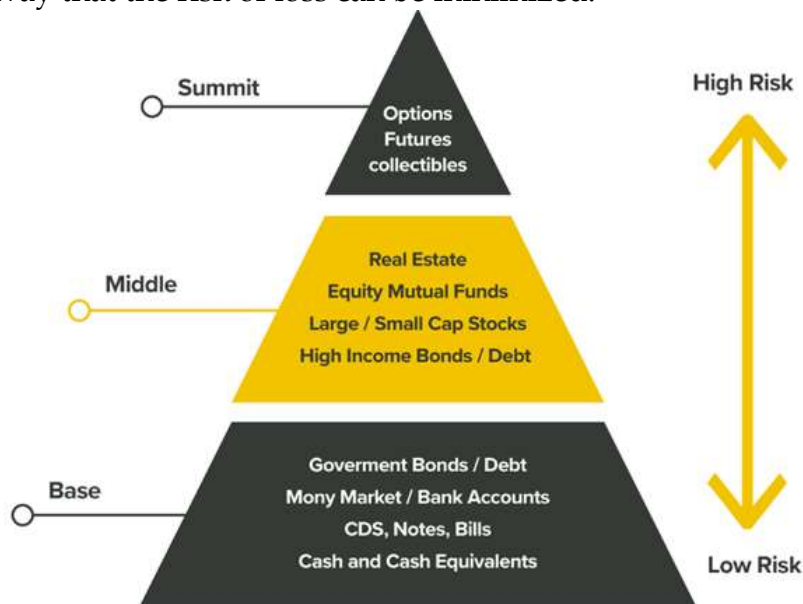
NEEDS	WANTS

Picture 6. Worksheet of Needs Versus Wants

- b. Apart from their needs and desires, IMWs are also asked to describe their financial flow. Understanding the ideal financial flow is very important so that IMWs can understand the priority order of their financial flow. For example, from the picture of the ideal financial flow below, it can be concluded that saving or investing is in a higher order than spending. This will make the value of the investment or savings that we set aside (not save) fairly consistent every month.

Meanwhile, the second topic, related to strategies for dealing with fraudulent investments, consists of:

1. Understand the types of investments. Investment assets are wealth that provides profits. Examples of investment assets are mutual funds, the cash value of insurance, shares and houses for rent. Mutual funds are one of the most popular investment products in Indonesia. The types of mutual funds are as follows:
 - a. Money market mutual funds, namely investment management in the form of money market instruments such as deposits, Bank Indonesia Certificates (SBI), or other debt securities with a maturity period of less than 1 year
 - b. Fixed-income mutual funds, namely investment management in the form of instruments that provide fixed returns over more than 1 year, such as private company bonds or other debt securities
 - c. Mixed mutual funds, which invest funds in a mixture of bonds and shares.
 - d. Stock mutual funds, which invest most of their managed funds in shares
2. Understand investment risks. Migrant workers need to know the risks of each existing investment. The risk will be higher if they do not understand the investment they are involved in. The more we understand the investments we are involved in, the more we can look for ways to avoid losses. In this way, investment risks can be anticipated or managed in such a way that the risk of loss can be minimized.



Picture 7. Product & Investment Risk Pyramid

3. Understand the risk profile. In general, there are three types of investors: conservative, moderate and aggressive. In this section, migrant workers are invited to evaluate their respective risk profiles. Understanding the risk profile is essential for selecting the most appropriate means for migrants to achieve their financial goals. The risk profile is defined as tolerance for risk, namely, the extent to which a person is willing to bear the risk of investment. If the risk tolerance is low, it means that the person always chooses very safe investments that are unlikely to experience losses, and the potential for profits is also lower. Types of low-risk investments include deposits, gold bullion, government bonds, and money market mutual funds. Moderate-risk investment forms include private company bonds with good ratings, asset-backed bonds and fixed-income mutual funds.
4. Understand the characteristics of fraudulent investments. Migrant workers in this section are invited to understand the characteristics of legal and illegal (bodong) investments. Usually, investment offers that need to be avoided are those that:
 - a. Too tempting, for example, a return of 30% every month
 - b. There is very little information about what is done to manage the funds
 - c. It is not clear what the business or type of business is. Even if goods are being traded, these goods are not common and are sold at very high prices beyond reasonable market prices.
 - d. Usually supported by public figures or artists to attract investors to join.

After the IMWs in Singapore understood investment, they were invited to write down the work area related to the investment plans they would carry out (Picture 8). This becomes a guideline for their investment plans, so they are not easily tempted by existing offers, especially in the massive digital world.

INVESTMENT PRODUCTS	IDR
Time Deposit	
Bonds	
Mutual Funds	
Rumah/Tanah/Ruko/Sawah	
Stocks	
Crypto	

Picture 8. Worksheet of Investment Planning

5. Hard work and discipline. Through this workshop, migrant workers are invited to see that the way to build financial prosperity is through discipline and hard work. There is no instant way to build prosperity. One thing the majority of people can do is start saving and investing now. Because in financial science, time has extraordinary power. When we start investing, the investment will experience something called compounding (interest-bearing interest) from year to year.



Picture 9. Workshop Conditions

RESULTS AND DISCUSSION

This International Partnership community service activity is a training program to increase financial literacy for Indonesian Migrant Workers (IMW) in Singapore. This activity was carried out using presentations, demonstrations, and discussions regarding financial literacy. By using the workshop method accompanied by worksheets, participants can immediately practice their personal financial planning skills. This service activity was carried out on Sunday, June 23, when migrant workers had their holiday, 11:00-15:00. For IMWs in Singapore, this financial literacy workshop provides great benefits, such as:

- a) Have the ability to carry out better financial planning.
- b) Able to choose and utilize financial products and services that suit needs, such as investment needs.
- c) Avoid investment activities in unclear financial instruments, such as fake investments.

Able to be responsible for financial decisions taken by looking at consequences such as investment risks

CONCLUSIONS AND RECOMMENDATIONS

The results of this service show that participants can immediately practice financial planning skills. This begins by providing knowledge about financial planning, the importance of savings, and appropriate investments. Participants also recognised the importance of avoiding unnecessary debt. Based on the results of this service activity, there are several recommendations for further service that can be carried out. First, it is important to continue periodic financial literacy training for IMWs in Singapore with a focus on more in-depth topics such as investment management, debt management, and retirement planning. This will help improve their financial understanding and skills on an ongoing basis. As can be seen in Figure 10, the financial planning material is very broad and deep. The author himself has a CFP (Certified Financial Planner) qualification that focusses on personal financial planning, which requires more than 36 hours of classroom study for various existing modules and outside of exam preparation. Furthermore, it is recommended to involve relevant stakeholders, such as the Indonesian Ministry of Foreign Affairs, representatives of the Singapore government, and non-governmental organisations that care about the welfare of IMW. This collaboration can support efforts to provide better access to safe financial products, financial technology tools, and financial consulting services that can help IMWs manage their finances better.



Picture10. Financial Planning Pyramid

ACKNOWLEDGMENT

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