

Short Communication

Empowering Indonesian Migrant Workers Through Sharia Financial Literacy and Household Management

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This article contributes to:



Abstract. Indonesian migrant workers (Pekerja Migran Indonesia/PMI) are economically significant contributors to household welfare and national remittance flows, yet many remain exposed to weak financial planning, informal borrowing, and limited access to appropriate financial services. This community service program, implemented in Kuala Lumpur and Selangor, Malaysia, in collaboration with the Overseas Branch of Muhammadiyah Malaysia (PCIM Malaysia), aimed to strengthen Sharia-based financial literacy and practical household financial management among PMI communities. The program involved 87 Indonesian migrant workers through structured workshops, budgeting exercises, product-orientation sessions, and peer mentoring. Evaluation was conducted using pre- and post-program knowledge tests, follow-up budgeting checklists, attendance records, and focus group discussions. The mean financial literacy score increased from 51.3 to 76.8 out of 100, while the proportion of participants maintaining a written household budget increased from 23% at baseline to 71% at the eight-week follow-up. Participants also reported stronger awareness of riba, zakat, infaq, halal savings instruments, and Sharia-compliant alternatives to informal borrowing. These findings indicate that culturally grounded, faith-sensitive, and practice-oriented financial education can improve both knowledge and applied financial behaviour among migrant worker communities. The program offers a replicable model for diaspora-based community empowerment through mosque, community, and Muhammadiyah networks.

Keywords: Migrant Workers, Sharia Financial Literacy, Household Management, PCIM Malaysia, Community Empowerment.

1. Introduction

Indonesian migrant workers, officially known as Pekerja Migran Indonesia (PMI), constitute a strategic component of Indonesia's labour mobility and household welfare system. Malaysia remains one of the most important destination countries for Indonesian workers because of geographical proximity, cultural familiarity, and sustained demand in domestic, manufacturing, construction, service, and plantation sectors [1]. Although formal placement data do not fully capture undocumented or informal labour mobility, official statistics consistently show that overseas employment continues to shape household livelihoods in many Indonesian regions.

The economic significance of PMI is also reflected in remittance flows. Bank Indonesia's remittance statistics and World Bank migration reports show that worker remittances are an important source of household income and external financial inflow for labour-sending countries [2], [3]. However, the developmental contribution of remittances depends not only on the amount transferred but also on how the funds are planned, allocated, saved, invested, and protected from predatory financial practices. Without adequate financial knowledge, remittance income may be absorbed by consumption shocks, social obligations, debt repayment, and unplanned spending, leaving limited resources for long-term household resilience.

Financial literacy is widely recognized as a determinant of financial well-being because it enables individuals to understand risk, compare financial products, manage debt, save consistently, and make informed intertemporal decisions [4]. In Indonesia, the

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2022 National Survey on Financial Literacy and Inclusion reported a continuing gap between financial inclusion and financial literacy, while Islamic financial literacy remained considerably lower than general financial literacy [5]. This gap is particularly relevant for PMI in Malaysia, who must manage income in a cross-border context, understand currency conversion, send remittances to family members in Indonesia, and navigate financial products in a foreign regulatory environment.

For Muslim Indonesian migrant workers, Sharia financial literacy provides an ethical and culturally resonant framework for financial decision-making. Islamic economics emphasizes the prohibition of *riba*, the avoidance of *gharar* and exploitative transactions, responsible wealth stewardship, *zakat*, *infaq*, and the pursuit of *maslahah* or public welfare [6], [7]. These principles are not merely theological abstractions; they can be translated into concrete household practices such as disciplined budgeting, responsible remittance allocation, debt avoidance, emergency saving, halal investment, and socially oriented giving. Islamic financial institutions are also expected to uphold social justice and accountability, reinforcing the relevance of values-based financial education for vulnerable communities [8].

The community service program described in this article was implemented with PCIM Malaysia, an organization that has served as a Muhammadiyah network and community platform for Indonesians in Malaysia since 2007 [9]. The program was designed to respond to the specific vulnerabilities of PMI: limited financial literacy, exposure to informal lenders, low familiarity with Sharia-compliant financial products, irregular work schedules, and fragmented household financial communication between Malaysia and Indonesia. Similar community-based interventions have shown that Indonesian migrant workers benefit from practical, dialogical, and context-specific Islamic financial planning education [10]. Building on this need, the present program combined Sharia financial literacy with hands-on household budgeting and peer mentoring.

The objectives of this program were fivefold: (1) to increase participants' understanding of core Islamic financial principles, including *riba*, *zakat*, *infaq*, halal saving, and Sharia-compliant banking; (2) to improve practical household budgeting skills suited to migrant worker income patterns; (3) to strengthen participants' ability to allocate remittances toward savings, debt reduction, and productive goals; (4) to foster peer learning and social support among PMI in Malaysia; and (5) to produce a replicable community empowerment model that can be scaled through PCIM Malaysia and partner institutions.

2. Problem Identification

2.1 Financial Vulnerability and Remittance Leakage

The preliminary assessment indicated that many participants earned regular income but lacked structured mechanisms for converting income into savings or productive capital. Several participants reported that remittances were sent in large but irregular amounts and were quickly absorbed by household consumption, debt obligations, family ceremonies, or emergency requests from relatives. This condition reflects a common remittance-management problem: income may increase temporarily, but long-term welfare does not improve when household allocation is not planned.

Another major vulnerability was the continued use of informal borrowing. Some participants relied on co-workers, informal lenders, or advance salary arrangements to meet urgent needs. These arrangements often carried unclear fees, social pressure, or interest-like repayment burdens. From a Sharia perspective, such practices create ethical

concerns when they involve riba or exploitative uncertainty; from a household management perspective, they weaken the ability to save and maintain financial stability.

2.2 Low Sharia Financial Literacy and Limited Product Awareness

The baseline discussion showed that participants were familiar with general religious terms such as zakat, infaq, and riba, yet many had difficulty translating these principles into financial decisions. For example, participants could identify interest as problematic but were unsure how to distinguish conventional savings, Sharia savings, Ar-Rahnu, takaful, and cooperative-based financing. This gap is consistent with the low Islamic financial literacy reported in national survey data [5]. Limited product awareness also constrained access. Some participants assumed that Sharia-compliant banking was only for Malaysian citizens or for higher-income customers. Others did not know what documents were required to open an account, how to compare bank charges, or how to use a savings account as part of a remittance plan. These misconceptions reduced the likelihood that participants would use formal, safer, and more transparent financial channels.

2.3 Cross-Border Household Budgeting Challenges

PMI households often operate across two locations: the worker resides in Malaysia while spouses, children, or parents remain in Indonesia. This split-household structure makes budgeting more complex than ordinary household finance. Income is earned abroad, expenses are incurred in two currencies, and family members may have different expectations about remittance use. Participants reported difficulties setting priorities between daily needs in Malaysia, family requests in Indonesia, children's education, debt repayment, and long-term savings. The program therefore treated household financial management as a communication and planning skill rather than merely a calculation exercise. Participants were encouraged to develop monthly budgets that included personal living costs, remittances, emergency reserves, debt repayment, zakat and infaq planning, and savings targets for post-migration goals.

2.4 Need for Community-Based Mentoring

A one-time seminar was considered insufficient because many participants needed repeated practice, emotional support, and peer accountability. Adult learners typically learn more effectively when the content is problem-centred, relevant to their immediate experience, and connected to practical tasks [11]. For this reason, the program used peer mentoring and WhatsApp-based follow-up to reinforce learning after the workshops. This approach also aligns with community-based participatory principles, where community actors are not treated only as recipients but as active partners in the intervention process [12].

3. Method

3.1 Program Design and Theoretical Framework

The program used a community-based participatory approach that integrated adult learning theory, behaviour change communication, and Islamic economic education. The intervention followed a three-stage learning pathway: awareness, understanding, and application. First, participants were introduced to basic Sharia financial principles and migrant-worker financial risks. Second, participants practiced interpreting these principles in everyday household decisions. Third, participants applied the learning through budgeting exercises, remittance planning, and peer mentoring. This structure was selected to ensure that the program moved beyond knowledge transfer toward behavioural application.

The Sharia framework was embedded across all sessions. Rather than treating Islamic concepts as a separate religious lecture, facilitators linked riba, zakat, infaq, amanah, halal income, and masalah to practical financial behaviour. This design was intended to make the program both technically useful and spiritually meaningful for Muslim migrant workers.

3.2 Participants

A total of 87 Indonesian migrant workers participated in the program. Participants were recruited through PCIM Malaysia community networks in Kuala Lumpur (n = 49) and Selangor (n = 38). Inclusion criteria required participants to be Indonesian nationals, currently employed in Malaysia, Muslim, aged 18 years or above, and able to communicate in Bahasa Indonesia. The participant profile is summarized in Table 1.

Table 1.
Participant profile of the community service program

Characteristic	Description
Total participants	87 Indonesian migrant workers
Location	Kuala Lumpur (49 participants); Selangor (38 participants)
Occupation	Domestic work (42%); manufacturing (31%); informal/service sector (27%)
Gender	Female (61%); male (39%)
Average overseas employment duration	4.2 years
Average monthly income	MYR 1,200-1,800, approximately IDR 4.0-6.0 million

3.3 Location and Institutional Collaboration

The program was conducted across three learning spaces: the PCIM Malaysia community centre in Kuala Lumpur, a community hall in Petaling Jaya, Selangor, and an online supplementary platform for participants who could not attend selected in-person sessions. PCIM Malaysia provided participant mobilization, logistical support, meeting facilities, and community coordinators who acted as cultural liaisons. The Universitas Muhammadiyah Bengkulu team consisted of two faculty members from Islamic Economics, two graduate student assistants, and one community educator. Site preparation was conducted in January 2023, main activities were implemented between February and April 2023, and follow-up monitoring was conducted in May 2023.

3.4 Program Activities

The intervention consisted of four interrelated components. Each component was designed to produce an applied output rather than merely deliver information. Sharia financial literacy workshop component covered the principles of Islamic economics, the prohibition of riba, halal and haram in financial transactions, zakat and infaq as instruments of redistribution, and basic Sharia-compliant banking products available in Malaysia. Household budgeting and remittance planning participants practiced preparing monthly budgets using a simplified worksheet that included living expenses in Malaysia, remittances to Indonesia, savings targets, debt repayment, emergency funds, and zakat/infaq allocation. Orientation to Sharia financial products participants were introduced to savings accounts, wadiah and mudharabah concepts, Ar-Rahnu Islamic pawn services, basic takaful schemes, and cooperative-based saving and financing alternatives that may be accessible to migrant workers. Peer mentoring and WhatsApp support participants were grouped into peer clusters of 8-10 members. Each cluster held bi-weekly online or in-person discussions to review budgeting progress, share challenges, and reinforce key learning messages. Facilitators provided weekly reminders and answered questions through WhatsApp.

3.5 Materials, Instruments, and Evaluation

Program materials included a Sharia Financial Literacy Workbook, a household monthly budget template, a practical guide to Islamic banking products in Malaysia, and selected Qur'anic and hadith-based reflections on financial conduct. All materials were prepared in Bahasa Indonesia to ensure accessibility. Evaluation used four instruments: (1) a 25-item pre- and post-program knowledge assessment; (2) budgeting behaviour checklists at baseline and eight-week follow-up; (3) attendance and participation records; and (4) focus group discussions with selected participants and PCIM coordinators. Quantitative data were summarized using descriptive statistics and paired comparison of pre- and post-test scores, while qualitative feedback was analysed thematically.

4. Result and Discussion

4.1 Improvement in Financial Knowledge

Pre- and post-assessment results showed a marked improvement in participants' Sharia financial literacy. The mean pre-program knowledge score was 51.3 out of 100 (SD = 11.8), while the mean post-program score increased to 76.8 (SD = 9.4). This represents a mean gain of 25.5 points, or approximately 50% relative improvement from baseline. A paired-sample comparison indicated that the increase was statistically significant, $t(86) = 18.4$, $p < .001$. The largest gains were observed in three areas: understanding of riba and its practical forms, knowledge of zakat and infaq allocation, and familiarity with mudharabah-based saving instruments. Correct responses on riba-related items increased from 42% to 84%, zakat-related items increased from 55% to 88%, and familiarity with mudharabah savings increased from 19% to 71%. These gains indicate that the program effectively addressed the most immediate conceptual gaps identified during the baseline assessment. Qualitative feedback supported the quantitative findings. Several participants stated that they had previously considered financial literacy as a technical topic unrelated to religion. After the training, many interpreted budgeting, avoiding exploitative debt, and saving for family welfare as expressions of amanah and responsible worship. This finding reinforces the pedagogical value of integrating financial literacy with religious meaning in Muslim migrant communities.

4.2 Improvement in Budgeting Behaviour

The program also produced observable changes in household budgeting behaviour. At baseline, only 23% of participants reported maintaining a written household budget. At the eight-week follow-up, this proportion increased to 71%. Among participants who completed all four components and remained active in the peer mentoring phase, the rate reached 84%. These results suggest that repeated practice and peer accountability were important in translating knowledge into behaviour. Participants also reported improvement in savings allocation. The average self-reported proportion of income set aside for savings increased from 8.3% at baseline to 18.7% at follow-up. Although this figure remained below the 20% savings target recommended in the program workbook, the increase demonstrates progress toward more disciplined remittance and household planning. Participants who applied the budgeting template reported that separating income into living costs, family remittance, debt repayment, emergency funds, and savings helped reduce impulsive spending.

A particularly important behavioural change concerned informal borrowing. Among participants who had previously used informal lenders or salary advances, 38% reported either ceasing or substantially reducing such borrowing during the program period. The reduction was attributed to a combination of greater awareness of riba, improved budgeting discipline, and knowledge of alternative financial products. Because the

program did not use a control group, this change should be interpreted as an indicative program outcome rather than definitive causal evidence.

4.3 Increased Interest in Sharia Financial Products

Prior to the intervention, only 11 participants (12.6%) reported holding an active account with a Sharia-compliant financial institution in Malaysia. At the eight-week follow-up, 34 participants (39.1%) had either opened or expressed a firm intention to open a Sharia-compliant account. In addition, 21 participants (24.1%) had sought further information about Ar-Rahnu services as an alternative to informal borrowing. These outcomes are important because product uptake among migrant workers is shaped not only by knowledge but also by documentation requirements, work schedules, employer restrictions, perceived eligibility, and trust. The program therefore did not frame Sharia product adoption as an automatic outcome. Instead, it emphasized informed comparison: participants were encouraged to ask about fees, required documents, transaction limits, accessibility, and suitability to their income patterns before selecting a product.

4.4 Peer Learning and Community Support

Focus group discussions indicated that peer mentoring was among the most valued elements of the program. Participants described the peer groups as safe spaces for discussing debt, family pressure, budgeting difficulties, and financial mistakes without shame. This social dimension is important because financial vulnerability among migrant workers is often compounded by isolation and reluctance to disclose personal financial difficulties.

Several peer groups independently developed informal savings circles inspired by Sharia-compliant principles discussed during the workshops. Although these initiatives require further monitoring to ensure transparency and fairness, they demonstrate that participants were not passive recipients of training. They adapted program content into community-based financial practices that suited their social environment. PCIM Malaysia coordinators also expressed interest in integrating the curriculum into monthly community gatherings, indicating institutional potential for sustainability.

4.5 Implementation Challenges

The program encountered several challenges. First, participant attrition was a persistent issue. Although 87 participants completed the initial workshops, 68 participants (78.2%) completed all four components and the full follow-up period. Dropout was mainly associated with shift work, employer restrictions on rest days, transportation difficulty, and sudden changes in work schedules. Second, participants' educational backgrounds varied widely, from primary school graduates to university graduates. Facilitators therefore had to adjust the level of explanation and use practical examples rather than abstract financial terminology. Third, online supplementary sessions were less effective than in-person sessions because of unstable internet access, limited digital confidence, and competing work responsibilities. Fourth, male participants initially showed lower interest in household budgeting topics than female participants. This challenge was addressed by reframing budgeting as part of family leadership, amanah, and long-term responsibility. These experiences suggest that future programs should provide gender-responsive examples and flexible scheduling mechanisms.

4.6 Summary of Program Outcomes

The main measurable outcomes of the program are summarized in Table 2. The results show improvements across knowledge, budgeting behaviour, savings allocation, reduced informal borrowing, and interest in Sharia-compliant financial products.

Table 2.
Summary of key
program
outcomes

Indicator	Baseline	Post-program
Mean financial literacy score	51.3/100	76.8/100
Participants maintaining written budget	23%	71%
Average income allocated to savings	8.3%	18.7%
Participants reducing informal borrowing	Not applicable	38% among prior users
Participants with or intending to open Sharia-compliant account	12.6%	39.1%
Participants seeking Ar-Rahnu information/enrolment	Limited awareness	24.1%

5. Conclusion

This community service program has demonstrated that a structured, Sharia-grounded financial literacy and household management intervention can produce meaningful improvements in the financial knowledge, budgeting behaviour, and Sharia financial product awareness of Indonesian migrant workers in Malaysia. The increase in knowledge scores, the expansion of written budgeting practice, and the reported reduction in informal borrowing indicate that practical and faith-sensitive education can help migrant workers move from awareness to applied financial behaviour. The program also shows that financial empowerment for PMI should not rely solely on one-way seminars. Peer mentoring, culturally trusted institutional partners, and simple tools such as budgeting worksheets and WhatsApp-based follow-up were essential for sustaining engagement. The collaboration with PCIM Malaysia strengthened participant trust and created a channel through which the curriculum can be replicated in broader diaspora communities.

Future programs should extend the mentoring period to at least six months, involve family members in Indonesia where possible, and establish formal referral pathways to Sharia-compliant banks, cooperatives, and safe remittance providers. Further evaluation using control groups or longitudinal tracking would strengthen the evidence base. Nevertheless, the present program provides a practical model for integrating Islamic financial literacy, household management, and community empowerment in the migrant worker context.

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7. Declaration

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