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Financial Planning for Financial Freedom

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ABSTRACT: Financial literacy is an individual's ability to understand and use various financial skills, including budget planning, debt management, savings, investments, and understanding financial products and services. These skills are essential for making wise financial decisions and achieving financial well-being. Financial literacy benefits include improved financial management. Individuals with a high level of financial literacy tend to have better skills in budget planning, savings, and debt management, contributing to personal and family financial stability. Furthermore, financial literacy also supports government efforts to increase financial inclusion, enabling individuals to access and utilize formal financial services, such as bank accounts, insurance, and other investment products. Sixty percents of Indonesian migrant workers in Malaysia have low financial literacy, making them difficult to manage and plan their personal finances, understand financial products, and make financial and investment decisions. This, in turn, impacts financial stability (managing personal income and expenses) and the potential risk of future financial difficulties. Meanwhile, the availability of training on personal financial management to improve the financial literacy of migrant workers remains very limited, preventing this problem from being addressed immediately. After the training, 80% of participants agreed that the material provided was high-quality and useful, and 85% strongly agreed that they were overall satisfied and benefited from the financial literacy training provided by the trainer.

KEYWORDS: financial literacy, financial inclusion

I. INTRODUCTION

Various Indonesian macroeconomic indicators have shown a slowdown since the fourth quarter of 2024. Indonesia's economic growth throughout 2024 was recorded at 5.03%, slightly below the government's target of 5.2%. According to data from the Central Statistics Agency (BPS), this slowing trend continued into the first quarter of 2025, indicated by GDP growth of 4.87%, in line with previously projected economic slowdowns of below 5% throughout 2025, partly triggered by the intensifying trade war between the United States and China. In January 2025, Indonesia recorded monthly deflation (m-to-m) of 0.76%, although annual inflation remained at 0.76%. This January's annual inflation rate was the lowest in 25 years. The deflationary trend continued in February 2025, with monthly deflation of 0.48% and annual deflation of 0.09%. This deflationary phenomenon is unusual for a developing economy like Indonesia, which indicated a significant weakening in domestic demand and purchasing power at the beginning of the quarter. However, this trend reversed sharply in March 2025, which recorded high monthly inflation of 1.65% and annual inflation of 1.03%, likely influenced by seasonal factors leading up to Ramadan and Eid al-Fitr, which historically drive up prices of key commodities.

Another macroeconomic indicator is the Open Unemployment Rate (TPT) data as of February 2025, which showed a figure of 4.76%. Structurally, vocational high school (SMK) and senior high school (SMA) graduates face higher unemployment rates than those at other education levels in Indonesia. This suggests that the economic slowdown in the first quarter of 2025 and the increasing uncertainty caused by the trade war could increase pressure on the labor market, especially among the younger generation, to the point where the hashtag #KaburDuluAja (Burning Out) trended on social media. This reflects Indonesians' dissatisfaction with the current economic conditions and has fueled the desire of some residents to "escape" abroad to continue their lives by working, studying, and living outside Indonesia. Following the viral hashtag, many Indonesians have shared stories about working conditions abroad and shared ways to start a career abroad, whether through scholarships, Indonesian labor recruitment agencies, or various other means. Comfortable and conducive working conditions, a clear career path, and adequate, or even excessive, salaries create a better quality of life compared to Indonesia, making many diaspora reluctant to return home.

Meanwhile, according to data from the Indonesian Ministry of Foreign Affairs, there are 3.01 million Indonesian citizens (WNI) living abroad, commonly referred to as the diaspora. The following is a graph showing the distribution of Indonesian citizens (WNI) abroad:

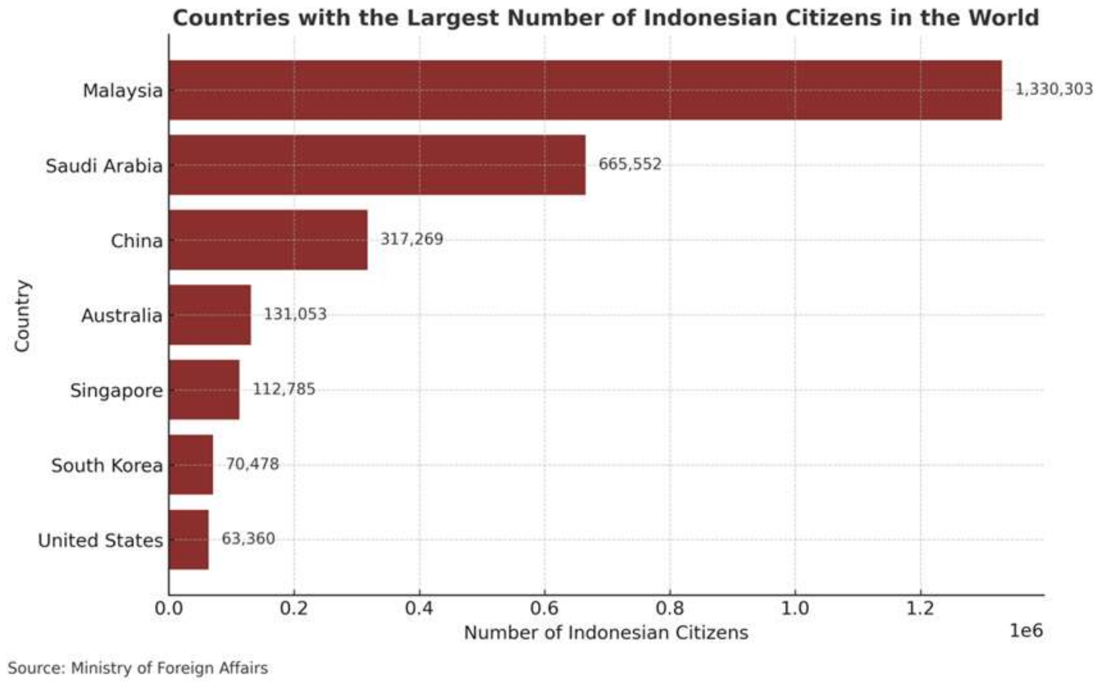

Figure 1. Number of Indonesian Citizens

Malaysia is the largest destination for the Indonesian diaspora, with a population of 1.33 million. Nearly 50% of the Indonesian diaspora reside in Malaysia (mostly in Kuala Lumpur). The majority are migrant workers in the construction, plantation, and domestic sectors, and it is a study destination for many Indonesian students. Saudi Arabia ranks second with the largest number of Indonesian citizens, with 665,550 working in the domestic sector and also serving as Hajj and Umrah pilgrims. China ranks third, with 317,670 Indonesians. The majority of Indonesian citizens in China work in the manufacturing and domestic labor sectors. Furthermore, China is also a popular destination for Indonesian students seeking further education.

II. LITERATURE REVIEW

According to Hidayat (2017) in Skaut and Triputro (2023), the Indonesian government sends Indonesian workers abroad as a solution to address unemployment and as an effort to increase foreign exchange. However, the conditions of Indonesian migrant workers, particularly in Malaysia, vary, with some experiencing serious problems such as forced labor, exploitation, and unfair treatment. This is partly due to low levels of education, which hinders access to employment and a decent work environment. Furthermore, a problem faced by the Indonesian diaspora, both migrant workers and students abroad, is low financial literacy, which makes it difficult for them to record and plan their personal finances for the future.

Suranto et al. (2023) explained that 60% of Indonesian migrant workers in Malaysia have low financial literacy, making it difficult to manage and plan their personal finances, understand financial products, and make financial and investment decisions. This in turn impacts their financial stability (managing personal income and expenses) and the potential risk of facing financial difficulties in the future. Meanwhile, the availability of training on personal financial management to improve the financial literacy of migrant workers remains very limited, preventing this problem from being addressed immediately.

Financial literacy is an individual's ability to understand and use various financial skills, including budget planning, debt management, savings, investments, and understanding financial products and services. This skill is essential for making wise financial decisions and achieving financial well-being. Financial literacy benefits include improved financial management. Individuals with high levels of financial literacy tend to have better skills in budget planning, saving, and managing debt, which contributes to personal and family financial stability (Lusardi & Mitchell, 2022). Furthermore, financial literacy also supports government efforts to increase financial inclusion, enabling individuals to access and utilize formal financial services, such as bank accounts, insurance, and other investment products.

Therefore, training is needed as a solution to improve the financial literacy of the Indonesian diaspora in managing personal and family finances to improve their quality of life in the future, while also assisting the government's efforts to achieve the SDGs indicators, including no poverty (SDG Goal 1), no hunger (SDG Goal 2), a healthy and prosperous life (SDG Goal 3), and decent work and economic growth (SDG Goal 8). This is done through community service carried out by lecturers and students of the Faculty of Economics and Business, Universitas Pancasila. One organization widely participated by the Indonesian diaspora in Malaysia, especially women, is the PCI (Special Branch Leadership) of Fatayat NU Malaysia.

PCI Fatayat NU Malaysia is the overseas branch committee of Fatayat NU, an autonomous entity within Nahdlatul Ulama (NU), focused on the empowerment and welfare of Indonesian women in the diaspora in Malaysia. Fatayat NU was founded on April 24, 1950, with the aim of empowering young women in various fields, including religion, education, and social affairs. PCI Fatayat NU Malaysia is actively involved in various activities, such as implementing programs focused on empowering diaspora communities and improving their welfare, engaging in da'wah activities, partnering with other organizations to conduct community service and international research initiatives.

III. METHODOLOGY

The implementation of this community service activity was designed through a financial literacy training program aimed at members of PCI Fatayat NU Malaysia. The target participants were active members who were officially registered with the PCI Fatayat NU organization and played an important role in managing family finances, micro businesses, or socio-economic activities in their communities.

Before the activity began, the community service team from the Faculty of Economics and Business at Pancasila University coordinated with the PCI Fatayat NU Malaysia management and related institutions through intensive communication, both online and offline, to ensure the activity could run smoothly according to the agreed schedule. The organization's management then assisted in providing data on participants willing to fully participate in the training and committed to completing the entire program.

The training materials were systematically designed to ensure participants not only understood the basic concepts of financial literacy but also could manage their finances wisely and structurally. The main topics covered include an introduction to personal and family financial management concepts, simple cash flow recording, budget planning, debt management, an introduction to banking products, investment basics, and financial risk literacy. Additionally, participants were trained to create short-term and long-term financial plans tailored to their individual circumstances.

The training activities were conducted interactively using lectures, discussions, case studies, and hands-on practice using simple financial recording examples. Through this training, it is hoped that members of PCI Fatayat NU Malaysia can improve their financial management skills, create effective financial plans, and optimize their economic potential for the welfare of themselves, their families, and their communities.

The community service implementation methods include training, technology application, mentoring, evaluation, and program sustainability. The implementation method is carried out in several stages, tailored to the problem areas being addressed. The following are the steps for implementing the community service:

The steps taken in implementing the community service program to be held in Malaysia are as follows:

1. Analysis of the Needs of the Indonesian Diaspora in Malaysia

At this stage, the FEB-UP PKM Team held an online meeting on July 7, 2025, with the PCI Fatayat NU Malaysia administrators. The meeting was led by Ms. Dian Astuty Pertiwi, Ms. Nita, Ms. Wulan, Ms. Inah, and Ms. Rara. The purpose of the meeting was to determine what financial literacy materials the PCI Fatayat NU Malaysia members needed. The meeting also aimed to coordinate the implementation schedule.

Figure 2 . Coordination meeting between the PKM Team and the PCI Fatayat NU Malaysia Management

2. Planning and Preparation of Human Resources and Infrastructure

At this stage, the PKM Team divided tasks so that each team played a role in the success of the event. They coordinated with FEB-UP students as PKM facilitators and ensured the smooth operation of the Zoom platform that would be used during the event. They also held discussions regarding the material to be presented, prepared pre- and post-test questions, and assessed financial management understanding. Partners participated in the preparation, training, and evaluation phases. The goal of this community service activity was to improve the understanding of Indonesian diaspora members in Malaysia regarding financial literacy. Observations and an initial survey, consisting of a questionnaire (pre-test), was administered to prospective participants in the individual and family financial planning training one day before the PKM event. To assess the achievement of the community service targets or objectives, a post-test and evaluation will be conducted after the training.

3. Implementation of Community Service Activities

Community Service activities was held on:

Day/Date : Saturday, July 26, 2025
Time : 7:00 PM WIB
Venue : Online using the Zoom application

The Zoom link opened at 7:00 PM WIB and the event began promptly at 7:30 PM WIB. Welcoming remarks will was given by each representative, Mr. Bintang Andhyka from FEB-UP, and Ms. Margaret Aliyatul Maimunah from the General Chairperson of PP Fatayat NU. Following this, Mr. M. Nuruddin Subhan delivered the presentation, followed by a question-and-answer session.

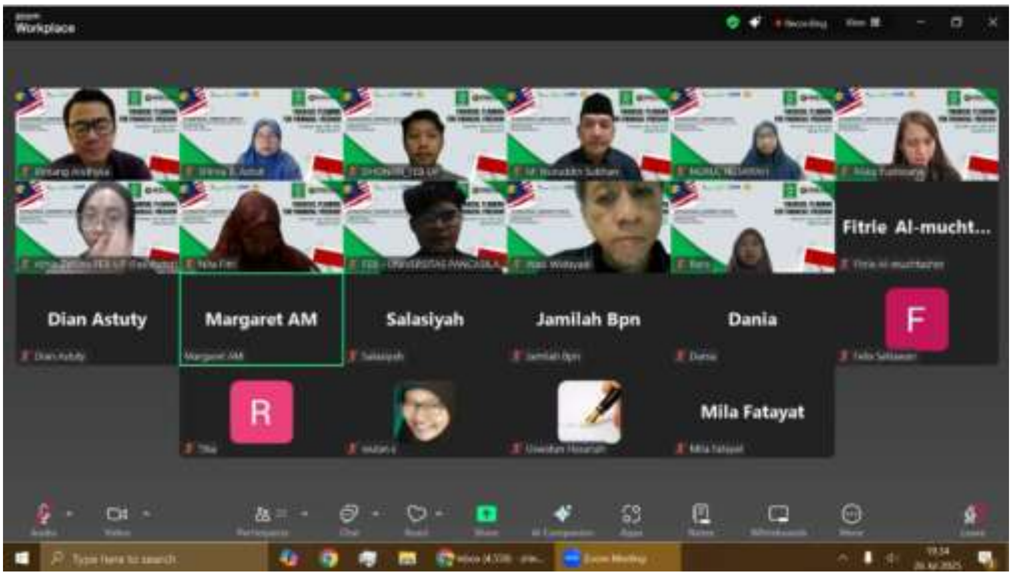

Figure 3 . Opening speech from the General Chairperson of PP Fatayat NU

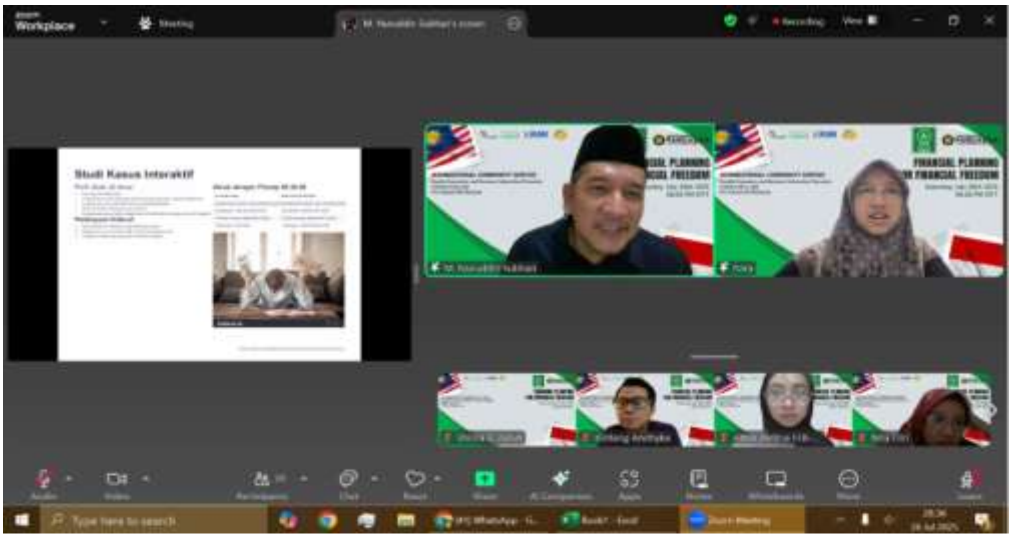

Figure 4 . Presentation and Question-and-Answer session

IV. RESULT

Based on the attendance list, 17 participants attended the PKM event. A pre-test was administered to participants on Friday, July 25, 2025, one day before the event (June 26, 2025), to determine their financial literacy. Scores ranged from 0 to 100. In the pre-test, 73% scored 60 or higher, and after the material was presented, this increased to 95%. The PKM team also conducted a survey on Financial Management.

Based on the survey results regarding respondents' habits in preparing budgets for special needs and unexpected needs, it was found that most respondents (40%) fell into the “sometimes” category. This shows that although respondents are aware of the need to set aside a budget, they do not do so consistently. Meanwhile, 33.3% of respondents stated that they often prepare a budget, reflecting a relatively more organized financial planning behavior compared to the previous group. As for 26.7% of respondents, they admitted to always preparing a budget, indicating a strong commitment to personal financial management. Interestingly, there were no respondents who chose the never category, so it can be interpreted that all respondents have a certain level of awareness in anticipating sudden financial needs.

The survey results regarding respondents' habits in investing to meet future financial needs show that the majority of respondents fall into the sometimes category at 40%. This finding indicates that most respondents have a tendency to invest, but not consistently. Furthermore, 33.3% of respondents stated that they often invest, reflecting a relatively more regular investment behavior pattern. Meanwhile, only a small portion, namely 6.7%, chose the “always” category, indicating a low level of commitment to continuous investing. Interestingly, 20% of respondents stated that they never invest, showing that there is still a group that has not yet made investing a strategy in their future financial planning.

The survey results regarding respondents' habits in saving surplus income or unexpected income show that the majority of respondents chose the category “often” at 46.7%. This indicates that most respondents have a fairly strong tendency to immediately set aside additional income as a form of financial management. Furthermore, 40% of respondents stated that they always do this, which shows a high level of commitment to maintaining financial stability through consistent saving habits. Meanwhile, only 13.3% of respondents stated that they sometimes save their remaining income, which indicates that their saving behavior is still inconsistent. These findings generally reflect a fairly good level of financial awareness among respondents, although there is still a small percentage who do not regularly allocate additional income for savings.

Based on the survey results regarding respondents' habits in storing valuable assets such as gold and land for future needs, it was found that the majority of respondents were in the often and sometimes categories with the same percentage, namely 53.3% each. This shows that most respondents have made asset storage one of their strategies in financial planning, although the level of consistency varies. Meanwhile, 13.3% of respondents stated that they never store assets in the form of gold or land, which indicates that there is a group that does not yet see these instruments as a priority in long-term financial management. Interestingly, no respondents chose the “always” category, so it can be concluded that the practice of storing valuable assets as a form of investment is still carried out partially and has not become a habit that is truly ingrained among respondents.

The survey results regarding respondents' habits in recording routine expenses, such as food, beverages, utility bills, water, and transportation, show that most respondents fall into the “often” category at 46.7%. This indicates that nearly half of the respondents are quite consistent in recording their routine expenses as part of their personal financial management. Meanwhile, 26.7% of respondents stated that they never keep records of their expenses, reflecting that there is still a group that has not implemented financial record-keeping in their daily lives. Furthermore, 20% of respondents fall into the “sometimes” category, which indicates that record-keeping is done inconsistently. Only 6.7% of respondents stated that they always keep records of their expenses, so it can be concluded that the practice of regularly recording expenses has not yet become a habit for the majority of respondents.

Based on the survey results regarding respondents' habits in recording lifestyle expenses, such as recreation, dining out with family, and other entertainment activities, it was found that most respondents recorded these expenses in the “sometimes” category (40%). This shows that recording lifestyle expenses tends to be inconsistent. A total of 33.3% of respondents stated that they often record lifestyle expenses, while 26.7% of respondents stated that they never do so. Interestingly, no respondents were in the “always” category, indicating that the habit of recording lifestyle expenses in a disciplined and regular manner is not yet a common practice among respondents. These findings show that financial recording awareness is more prevalent in aspects of routine needs than in recreational expenses.

Based on the results of a survey on the provision of special funds to deal with unexpected expenses, such as job loss or natural disasters, it appears that respondents have a fairly good level of awareness. As many as 40% of respondents stated that they always set aside special funds, and the same proportion, 40%, stated that they often do the same. This reflects that the majority of respondents already consider financial preparedness to be an important part of personal financial management. Meanwhile, 20% of respondents stated that they only sometimes set aside reserve funds, indicating that a small number are still inconsistent in preparing emergency funds. Interestingly, no respondents chose the "never" category, meaning that all respondents at least pay attention to the importance of emergency funds. These findings confirm that preparedness for unexpected circumstances has begun to be embedded in the financial behavior of most respondents.

Based on the survey results regarding respondents' habits in recording social expenses, such as alms, group contributions, and other forms of giving, a diverse picture emerged. A total of 33.3% of respondents stated that they often record their expenses, with the same proportion (33.3%) stating that they only sometimes record their social expenses. Furthermore, 20% of respondents stated that they always record social expenses consistently, while 13.3% of respondents chose never or never to record at all. These results indicate that the practice of recording social expenses has not become a widespread habit among respondents, even though most of them are aware of this aspect. These findings also indicate an opportunity to raise awareness of the importance of financial recording in the realm of social expenses, in order to support more transparent and controlled personal financial management.

CONCLUSIONS

This program successfully educated the Indonesian diaspora in Malaysia on the importance of financial planning. With financial literacy still relatively low, this training serves as an initial step to raise awareness of the importance of proper income allocation and thorough preparation to finance important future expenses, such as children's school fees.

The enthusiasm of the participants demonstrates the urgent need for financial planning among the diaspora. Furthermore, this program also helps support the achievement of sustainable development goals (SDGs), such as zero poverty and decent work. For future programs, it is recommended to expand the scope of the training by involving more Indonesian diaspora members in various countries. Furthermore, the training method can be developed by providing more detailed simulations or hands-on practice related to financial planning, including the use of modern financial technology tools. Additionally, collaboration with financial institutions and local governments can strengthen training outcomes and provide participants with broader access to apply the knowledge they gain in their daily lives.

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