

THE ESSENCE OF FINANCIAL LITERACY UNDERSTANDING IN FAMILIES (ASSISTANCE FOR MIGRANT FAMILIES)

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ABSTRACT The family plays an important role in financial management, starting from setting short-term, medium-term, and long-term financial goals. With a clear budget, families can also manage expenses, reduce waste, and ensure that basic needs are met. In this case, the family is the primary place to teach financial values to children, starting from instilling the habit of saving, understanding the price of goods, and getting used to managing pocket money. In this case, it is necessary to provide information and strengthen the understanding of financial literacy among migrant workers' families, where migrant workers are individuals who move within or between countries for work purposes. Because there is a need for certainty in achieving work goals, they must have the ability to provide financial literacy within their families, so that the finances they seek while working do not go to waste. This article aims to present the results of community service focused on the importance of conducting financial literacy understanding activities within families, especially familiarizing children with financial literacy from an early age to help them become financially wise individuals in the future. Through a series of community service activities, the implementers explored the main objectives of financial education. The results of the community service show that migrant worker families face various challenges in managing their finances, so through this activity, migrant worker families receive information about the main components of financial literacy. Through a solution-oriented approach, we identified several solutions that can help families manage their finances, including: (1) creating a financial budget; (2) prioritizing needs over wants; (3) having an emergency fund; (4) involving all family members; (5) utilizing technology to assist; (6) reducing consumer debt; (7) regularly saving and investing; (8) conducting periodic financial evaluations; (9) being frugal with non-essential expenses; and (10) wisely utilizing discount information.

KEYWORDS: *Migrant Worker Families, Financial Literacy, Mentoring.*

1. INTRODUCTION

Someone who needs to have financial skills to live prosperously in the future (Fakhriyah Arfianti Saputri, 2019). Personal financial management as part of the process of independently monitoring the use of money, starting from budgeting, spending, saving, and investing (Bamforth et al., 2018). Financial literacy can be defined as the level of knowledge, understanding, and skills in making decisions in managing finances (Liu & Zhang, 2021).

The first education for a child is the family, so family members play a role in the child's development process. According to Rapih (2016) indicators in measuring financial education within the family consist of (1) habituation, including the habit of saving, the habit of being frugal, and the habit of setting aside pocket money for more important needs; (2) exemplary behavior, financial exemplary behavior that parents should practice, such as providing examples of saving money in financial institutions, making budgets regularly, and being honest in using money; (3) involving children in financial decision-making, such as giving them the opportunity to manage pocket money, savings, and others; and (4) understanding of needs and wants, this can be done by not always fulfilling the child's desires, explaining whether something they want needs to be bought now or if there is something else that needs to be prioritized first.

Thus, there is a need for enlightenment regarding financial literacy within families as an effort to provide information and prepare for future financial needs. This is in line with the research findings Rohayati (2015) which states that financial education within the family also has a positive and significant impact on the personal financial management of students, meaning that personal financial management as an individual activity starts from planning finances, using funds, and monitoring finances as well as making all financial decisions. Managing finances must be accompanied by knowledge of basic finance through financial literacy, because financial literacy will help in someone's financial decisions which will impact the way someone manages money. The more adept someone is at financial literacy, the better their financial management will be. (Yusuf et al., 2023).

Migrant Workers

Migrant workers are individuals who engage in activities within or between other countries with the purpose of working, which can occur within the scope of temporary or permanent relocation (Faelasofi et al., 2024). Migrant workers can be within the scope of becoming professional, seasonal, or part-time workers. The choice to become a migrant worker can be caused by, among other things, family reunification, joining family members who have already migrated for work (Malokani et al., 2022). The presence of migrant workers certainly has social and economic impacts by providing benefits to host countries: migrant workers fill the labor shortages

in important sectors such as agriculture, construction, and healthcare (Ruhs, 2010). In addition, migrant workers contribute to economic growth, and the earnings they obtain while working in foreign countries can be sent back to their home countries, thereby enhancing their economic capabilities. (Azam, 2015).

The challenge with the hard work results obtained by these migrant workers is that it becomes an attraction that can be managed well. This means that there is concern that the families of these migrant workers have not yet been able to manage their household finances well. If financial management is done well, it will certainly contribute to poverty reduction and an improvement in living standards.

Thus, there is a need for government concern, so that the efforts gained during work as migrant workers can be managed well. Good and meaningful education on financial literacy provides unique insights for the families of migrant workers, so that the exhaustion from working as migrant workers can still be enjoyed in their old age.

Financial Literacy

Financial literacy in Indonesia is a series of processes or activities aimed at enhancing the knowledge, confidence, and skills of consumers and the broader community, enabling them to manage their finances effectively (Bonang, 2019). Furthermore, finance can be understood as an important aspect inherent in the lives of the wider community. The financial knowledge possessed can help individuals in making decisions about financial products that can optimize financial decisions (Yushita, 2017).

Of course, financial knowledge becomes very important for individuals so that they do not make mistakes in making financial decisions (Margaretha & Arief Pambudhi, 2015). Lusardi & Mitchell (2007) states that financial literacy consists of a number of abilities and knowledge regarding finance that a person possesses in order to manage or use a certain amount of money they have to improve their standard of living and, of course, enhance their well-being. Besides that, Chen & P. Volpe (1998) stating that financial literacy is knowledge for managing finances so that life in the future can be more prosperous.

Thus, it can be stated that financial literacy encompasses the ability to differentiate financial choices, discuss finances, solve financial problems, plan for the future, and respond to life events that affect daily financial decisions. Financial literacy helps to improve the quality of financial services and contributes to economic growth, and can aid in the development of the country with the investment funds saved (Yushita, 2017).

The Purpose of Studying Financial Literacy

Individuals who equip themselves with the knowledge, skills, and attitudes necessary to make wise financial decisions, manage personal finances well, and achieve financial well-being are part of the goals of studying financial literacy. Therefore, the following are the main objectives of studying financial literacy:

1. managing personal finances well, with the aim of helping individuals understand how to manage income, expenses, savings, and investments so that finances remain controlled. The benefits of this include avoiding financial problems such as excessive debt and improving personal economic stability.
2. making wise financial decisions, with the aim of enhancing the ability to evaluate various financial options, such as choosing savings products, insurance, or investments that align with needs and goals, utilization means minimizing the risk of making detrimental decisions, such as fraudulent investments or poor debt management.
3. increasing awareness of financial risks, with the aim of providing an understanding of financial risks, such as inflation, interest rates, or investment losses, as well as how to address them, and utilizing them to protect oneself from potential losses and build safer financial strategies through diversification or insurance protection.
4. encouraging the habit of saving and investing, the goal is to habituate individuals to set aside a portion of their income for savings or investments for the future, whether for short-term, medium-term, or long-term goals, with its utilization to ensure financial security in the future, such as preparing for emergency funds, education, or retirement.
5. avoiding financial problems, the goal is to provide an understanding of how to manage debt healthily, use credit cards wisely, and avoid the traps of irresponsible loans, utilizing it to avoid stress from debt and create a more peaceful financial life.

The Importance of Understanding Financial Literacy

Financial literacy is important to inform and learn because informing financial literacy means providing the knowledge to manage finances wisely, face economic challenges, and achieve financial goals. There are several reasons why financial literacy is important to understand, namely:

- (1) can improve personal financial management
 - a) financial literacy helps individuals understand basic concepts such as budgeting, saving, investing, and debt
 - b) understanding literacy encourages someone to make better decisions about how to use income and reduce waste.
- (2) avoiding financial problems

- a) many problems such as excessive debt, bankruptcy, or dependence on loans arise due to a lack of understanding of finance.
 - b) financial literacy helps manage risks and understand the consequences and financial decisions
- (3) supporting future planning
- a) understanding financial literacy will enable someone to plan long-term goals such as buying a house, children's education expenses, or retirement.
 - b) understanding how investments and savings work can ensure financial stability in the future.
- (4) optimizing the use of financial instruments
- a) financial literacy helps individuals understand financial products such as insurance, mutual funds, stocks, or deposits
 - b) allows choosing products that match needs and risk profiles
- (5) Increasing awareness of the importance of protection.
- Many people do not realize the importance of insurance or emergency funds, financial literacy can help in preparing for emergencies or uncertainties
- (6) reducing dependence on others
- someone who understands financial literacy well will make good independent financial decisions, so they won't easily be deceived or rely on wrong advice
- (7) encouraging economic development
- when individuals understand how to manage money and can invest, they can contribute to economic growth through wise consumption and investment

2. METHOD

The IV International Community Service activity in Malaysia was conducted online in collaboration with the NGO Sharing, targeting the families of migrant workers in Malaysia. The target audience for this community service was gathered at the Indonesian Embassy in Malaysia during the event. The speaker provided material in their field regarding the Essence of Understanding Financial Literacy in Families. The material is presented in a simple manner so that it can be easily understood and is expected to be implemented by the participants. Next, the participants are given the opportunity to engage in a question-and-answer session related to the presented material.

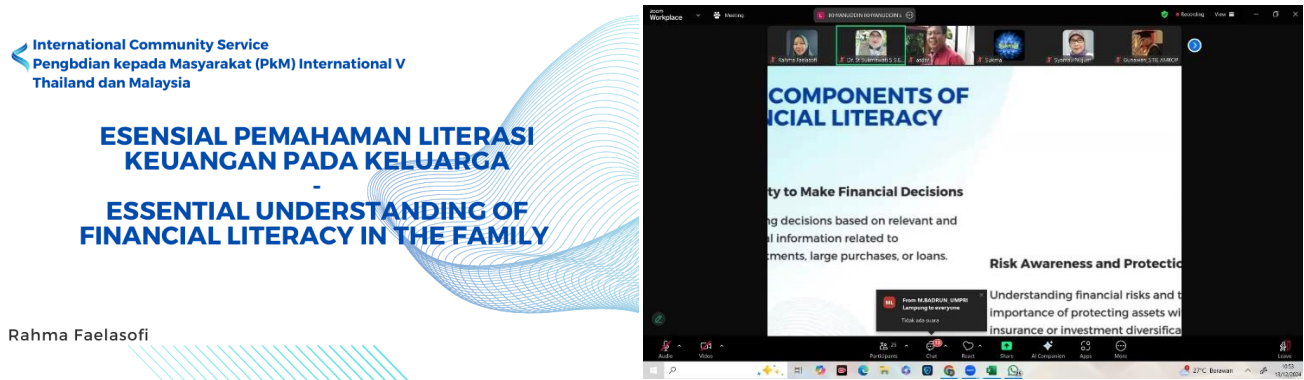


Figure 3.1. Presentation of PkM Material by the Resource Person

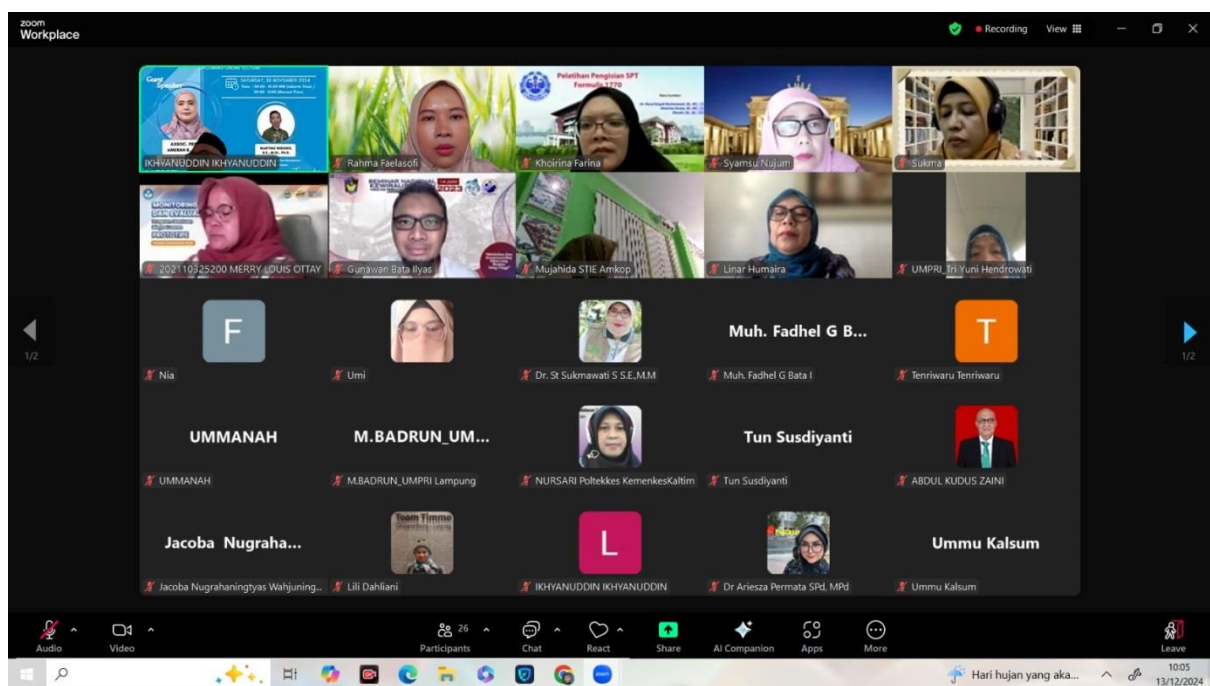


Figure 3.2 Hybrid Virtual Space PkM IV

In the context of community service to assist migrant workers' families in their efforts to understand and educate financial literacy. In this activity, several methods are used in its implementation, namely:

1. Financial Literacy Workshop: Holding an interactive and focused workshop on financial literacy within the family environment. This workshop can involve group discussions, case studies, and practical exercise sessions to help them develop financial management skills.
2. Participatory Approach: Adopting a participatory approach where the families of migrant workers are actively involved in designing programs and community service activities. This ensures that the programs presented truly meet their needs and preferences..

3. **Use of Technology:** Utilizing technology such as mobile applications or online platforms to provide easy access to time management resources, training schedules, and other related information. This allows migrant workers to access information and support anytime and anywhere they are.
4. **Collaboration with Related Organizations and Institutions:** Collaborate with non-governmental organizations, government agencies, and educational institutions to organize events or programs that support financial literacy understanding. This can include joint training, seminars, or mentoring programs.
5. **Formation of Support Groups:** Establishing support groups or online forums that allow migrant workers to share experiences, strategies, and support each other in time management and other challenges they face..
6. **Evaluation and Feedback:** Conducting evaluations of the programs that have been implemented and obtaining feedback from participants to assess the success and effectiveness of the programs. This allows for improvements and adjustments to enhance its positive impact.

By combining these various methods, community service can provide sustainable and holistic support for migrant workers in practicing good financial literacy.

3. RESULT AND DISCUSSION

In general, the findings of this community service program successfully provided information to migrant workers' families about the importance of financial literacy within the family. Practical solutions that can help families manage their finances include:

1. Creating a family budget, covering income, routine expenses, savings, and entertainment funds, is beneficial for controlling expenses and ensuring that every need is met without jeopardizing financial conditions;
2. Prioritizing needs over wants can be done using the 50/30/20 principle, which means 50% for needs, 30% for wants, and 20% for savings or investments. This is beneficial for helping families focus on important matters first before allocating money for additional needs;
3. Creating an emergency fund, such as setting aside 3-6 months of the family's routine expenses as an emergency fund, is beneficial for anticipating unexpected events like job loss, accidents, or other urgent expenses;
4. Involve all family members, discuss financial plans together with all family members, including children, by teaching children the value of money and how to manage it. This is beneficial for increasing financial awareness within the family and encouraging cooperation;

5. Using technology solutions to assist with finances, in this case, one can use financial management applications to record expenses, monitor budgets, and manage savings. The benefits include facilitating real-time tracking of family finances and preventing budget leaks;
6. Reducing consumer debt, meaning avoiding the use of credit cards or loans for unnecessary purchases, focusing on paying off high-interest debt, the benefit of this effort is to reduce the financial burden on the family in the future;
7. Regularly saving and investing, setting aside a certain percentage of income to save each month, diversifying funds into investment instruments such as gold, mutual funds, or stocks, the benefits include securing the family's financial future, including children's education funds or retirement preparation;
8. Evaluating finances periodically, is done by reviewing every month to see if the budget is running according to plan, and making revisions if necessary, the benefit is to ensure the financial plan remains relevant to current needs and situations.;
9. Saving on non-essential expenditure, which means reducing spending on non-urgent matters, such as dining out too often, has the benefit of freeing up funds for more important financial needs or goals.; and
10. Using discounts and promotions, taking advantage of promos, discounts, or cashback when buying household necessities, is certainly to save expenses without sacrificing the quality of family life.

Challenges in children's financial literacy:

- (1) The child doesn't understand the value of money yet.

Here, children often think money is easy to get without understanding the effort behind it.
solution:

- a. Giving pocket money with certain rules
- b. Teaching the concept of saving using a piggy bank

- (2) The limitation of engaging educational media

Educational media about finance is often boring for children.

Solution:

- a. Using games or financial education apps to teach financial concepts
- b. Telling a story or fairy tale that includes a message about the importance of managing money

Challenges and solutions in financial literacy within families:

- (1) The lack of knowledge about financial literacy in families

Many families do not have a basic understanding of financial concepts, such as budgeting, investing, and financial management.

Solution:

- a. Educating oneself through books, online courses, or attending financial seminars
- b. Participating in financial literacy programs organized by the government or financial institutions

(2) Consumer habits

A consumptive lifestyle is often considered sensitive, so many families do not want to discuss it openly.

Solution:

- a. Implementing the principle of simple living with a focus on needs rather than wants
- b. Setting a budget for entertainment expenses so that they do not exceed the limit

(3) Lack of financial communication

Discussing finances is often considered sensitive, so many families do not want to talk about it openly.

Solution:

- a. Scheduling regular discussions to talk about the family's financial situation
- b. Building open communication without blaming each other

(4) Not consistent in implementing the budget

Although they already have a budget, families often lack discipline in adhering to it.

Solution:

- a. Using a financial tracking app to monitor daily expenses
- b. Setting clear financial goals to motivate the family to stay on track

(5) Minimnya kesadaran akan pentingnya tabungan dan investasi

The lack of awareness about the importance of savings and investments

Solution:

- a. Starting by saving regularly, even if the savings are not large
- b. Learning basic investments, such as mutual funds or gold, which tend to be safe for beginners

(6) Social influence and environmental pressure

The social environment encourages a luxurious lifestyle, causing pressure for families to keep up.

Solution:

- a. Focus on family financial priorities and goals, without comparing to others' financial achievements.
- b. Training the ability to say no to unnecessary purchases

(7) Lack of long-term financial planning

Many families only focus on short-term needs without thinking about the future.

Solution:

- a. Make long-term financial plans, such as children's education funds and retirement savings
- b. Consult with a financial planner if necessary

(8) No emergency fund

Most families do not have an emergency fund to face unexpected situations.

Solution:

- a. Set aside 10-20% of your income to build an emergency fund until it reaches 3-6 months of regular expenses
- b. Set aside 10-20% of income to build an emergency fund until it reaches 3-6 months of regular expenses

4. CONCLUSION

The conclusion of this community service activity is to provide information starting with improving financial literacy, through:

- a. reading books or articles about personal finance management
- b. attending training or seminars on financial management
- c. using a financial app to track expenses and income
- d. consult a financial expert if necessary

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