

Promoting Anti-Fraud Culture in Indonesian Labor Migration for Economic Growth

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Abstract: This research examines the related the Constitution ensures that every citizen has the right to obtain decent employment and livelihood. This provision signifies the state's responsibility to provide opportunities for citizens to work both domestically and abroad as Indonesian Migrant Workers (PMI). Limited job opportunities are seen as a major reason why many Indonesians prefer working overseas as PMI rather than facing unemployment at home. The continuous growth in the number of PMI, along with rapid technological advancements each year, has led to a greater risk of fraud, particularly the emergence of fake remittance agents across interconnected countries. To foster an anti-fraud culture in the deployment of PMI and to enhance trust and convenience in financial transactions, it is essential to develop an integrated, technology-based ecosystem. At least eight supporting elements are needed to establish this system: government institutions, banking sectors, fintech companies, educational institutions, marketing models, officially registered PMI placement agencies, procedural management for PMI, and PMI-related data analysis. The remittances sent by PMI are expected to contribute significantly to Indonesia's economic growth.

1. Introduction

Humans have a variety of primary, secondary, and tertiary needs. To meet all kinds of needs, humans cannot stand idly by, so humans make maximum efforts to work. Therefore, the state provides a legal umbrella through guarantees to get a job at home and abroad and the freedom to work in various sectors as long as the work does not conflict with applicable laws and regulations. The existence of a guarantee of the opportunity to work abroad is, in fact, not wasted casually by our citizens. It is not without reason that the number of our workers who work abroad for a bite of rice is soaring. This is none other than due to the limited employment opportunities available in the country, so in order to meet all the needs of their lives, inevitably, our workers must be willing to part with their husbands or wives and children to work abroad to become Indonesian Migrant Workers (PMI).

Indonesian Migrant Workers (PMI), according to Article 1 of Law Number 18 of 2017 concerning the Protection of Indonesian Migrant Workers, is any Indonesian citizen who will, is, or has

done work by receiving wages outside the territory of the Republic of Indonesia. The attractiveness that the desire of PMI candidates generally interested in income from working abroad is more significant than working domestically. Nevertheless, unfortunately, not a few prospective Indonesian Migrant workers (PMI) are mired in the illegal route because they tend to choose instant procedures in the hope of working immediately and do not need to take care of the requirements that have been regulated by law including the issue of minimum age limits. In government, Indonesian is used as the official language, ensuring policies and information are accessible to all levels of society.¹

Indonesian Migrant Workers (PMI) used to be referred to as Indonesian Workers. They were very hailed and even called "Heroes of State Foreign Exchange" because of their extraordinary contribution to our beloved country through the country's foreign exchange income. The Central Bank of Indonesia manages the foreign exchange income, which can be used to maintain the rupiah exchange rate, which impacts foreign payments such as the purchase of goods and/or services through import mechanisms, the provision of assistance, or grants abroad. In addition, it can also be used for foreign debt repayment. Under other conditions, foreign exchange can also be used to send educational missions through scholarships, introduce and exchange cultures, sports contingents abroad and to finance assistance for migrant workers who are legally constrained in the country where they work through maintaining international relations with embassies or consulates.

The income earned by PMI for the proceeds of working in foreign currency is then mostly sent to their families in Indonesia. The transfer of income in foreign currency is carried out by converting currency by buying and selling first by banks that provide services for sending /receiving money from abroad by paying attention to the movement of *real-time* exchange rates so that families can receive them in rupiah according to Kusumawati, 2017.² Worker's remittance, or remittance, is a transaction process for transferring some currencies from abroad originating from PMI to Indonesia. Indonesia, a developing country, makes remittances one of the substantive aspects of alternative foreign exchange earnings and the proceeds of export trade in goods and/or services. With more import transactions of goods and/or services than exports, these remittances affect the balance of payments in the state budget report.

The economic growth of a nation that is influenced by the rupiah exchange rate indirectly depends on the level of foreign exchange reserves in Indonesia. The increasing amount of income that PMI sends to their families in the country directly contributes to the significant growth of Indonesia's foreign exchange reserves, according to Kusumawati, 2017.³ IFAD & World Bank, 2015 assumed that remittance transactions positively influenced increased financial inclusion.⁴ Migrant

¹ Rohmatika, Fiya Ainur, Ni Made Dwi Maharani, Muhamad Ershad, Mellia Dewi Hartono Soehardjo, Angelia Yuliana Dewi, Aulia Rivansy Nasution, and Siti Nur Azizah. "Indonesian Reading and Writing Training to Improve the Literacy of Children of Indonesian Migrant Workers (PMI) in Malaysia." *Journal of Society, Community and Business Development* 2, no. 2 (2024): 1-6. <https://doi.org/10.30595/scbd.v2i2.177>.

² M. P. Kusumawati, "The Irony of Human Trafficking Under the Guise of Shipping Foreign Exchange Heroes of the Country." *Novelty Law Journal*, 8(2), 187. (2017). <https://doi.org/10.26555/novelty.v8i2.a7155>.

³ M. P. Kusumawati, "The Irony of Human Trafficking Under the Guise of Shipping Foreign Exchange Heroes of the Country." n.d.

⁴ IFAD, & World Bank. "The Use Of Remittances And Financial Inclusion." *Rome, Italy: International Fund For Agricultural Development*. (2015). Retrieved from <https://www.ifad.org/documents/38714170/40187309/gpfi.pdf/58ce7a06-7ec0-42e8-82dc-c069227edb79>.

remittances are an alternative channel for money transfers between countries by providing convenience for someone who does not have a bank account. However, they can still use formal financial products and services, as explained by Metzger, Riedler, & Pédussel Wu, 2020.⁵

The motivational theory of sending remittances, according to Lucas & Stark, 1985 is *pure altruism*, *pure self-interest*, and *tempered altruism*.⁶ This is because the human will, with its consciousness and willingness, sacrifices its needs for others without expecting itself to benefit. This condition is known as *pure altruism*. This motivational theory is shown by PMI, which maximizes the delivery of its income through remittances to improve the standard of living per capita in the PMI's home country. Therefore, the addition of PMI's salary increase will affect the increase in remittance transactions, but if the family's per capita living standard increases, it will cause remittances to fall, as explained by Jintan, Nahar, & Azizurrohman, 2020; Ukhtiyani & Indartono, 2020.⁷

The pure self-interest motivation theory identifies three main reasons for driving Indonesian Migrant Workers (PMI) to send remittances. They at first have an aim to try to improve the financial position of their family. Their goal truly is to do so back in their home country. Secondly, covering some maintenance costs for all assets that are left behind motivates most remittance transfers. Remittances are also sent to elevate the family's social standing, furthermore, via investment into land, decent housing, livestock, as well as other valuable properties in their country of origin.

The theory of tempered altruism motivation focuses on the advantages of the social contract between the sender and the recipient of remittances. Johnson & Whitelaw's (1974) research in Lucas & Stark, 1985 explains that many remittances are positively related to the level of education of migrants and their families. In addition, the low living standards of migrant families in the country of origin, crop failure, and the need to repay family debts encourage family members to migrate abroad, as explained by Alhada et al., 2021.⁸ So that the income earned is sent using remittances to solve problems in the family of the country of origin.

The increasing number of Indonesian Migrant Workers (PMI) and the rapid development of technology from year to year has led to a higher chance of *fraud*. However, *fraud* such as *human trafficking* is still a *prima donna* followed by the practice of *smugglers* and *hawala agents* who have networks between countries that act as *facilitators*. The *smuggler* scheme is known as the *gold smuggling scheme for remittance*. The rampant demand for *smuggler* transactions is due to the high imposition of remittance fees charged by local and destination country financial service institutions. In addition, the *smuggler* transaction was carried out to deceive Value Added Tax (GST) imposition on transactions on gold purchases in Asian countries. This practice is suspected of the use of advanced technology in forging documents for shipping goods that are difficult to distinguish between original documents and forged documents.

⁵ Metzger M., Riedler, T., & Pédussel Wu, J. "Migrant Remittances : Alternative Money Transfer Channels. Institute for International Political Economy Berlin, (127)". (2020). Retrieved from www.econstor.eu.

⁶ Lucas R. E. B., & Stark, O. "This content downloaded from 139.184.014.159 on February 24". *Journal of Political Economy*, 93(5), 901-918. (1985). Retrieved from <http://www.journals.uchicago.edu/t-and-c>.

⁷ A. R. Jintan, F. H. Nahar, & M. Azizurrohman, "Measuring Inflow of Remittances in Six ASEAN Countries Using Macroeconomic Variables: Panel Data Analysis." *Journal of Economics Research and Social Sciences*, 4(2), 87-101. (2020). <https://doi.org/10.18196/jerss.v4i2.10102>; K. Ukhtiyani, & Indartono, S. Impacts of Indonesian Economic Growth: Remittances Migrant Workers and FDI." *Journal of Economics and Policy*, 13(2), 280-291. (2020). <https://doi.org/10.15294/jejak.v13i2.23543>.

⁸ M. Alhada, F. Habib, U. Anggraeni, K. K. Nisa, U. Islam, & N. Sunan, "Utilization of Migrant Workers Revenues (Remittance) For The Family Economy." *Journal of Urban Sociology*, 4(1), 16-30. (2021). DOI: <http://dx.doi.org/10.30742/jus.v4i1.1484>.

⁹ T. M. Tuanakotta, "ISA-Based Audit (*International Standards on Auditing*).". Jakarta: Salemba Four. (2013).

Tuanakotta, 2013 gives the following definition of fraud:

*"Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the application of violence or physical force threats. Individuals and organizations perpetrate fraud to obtain money, property or service; avoid payment or loss of services; or secure personal or business advantage."*⁹

Arens, Arvin A, 2008 gives the following definition of fraud: *"Fraud is defined as an intentional misstatement of financial statements."*¹⁰ ACFE Indonesia Chapter #111, 2016 defines fraud as follows: *"Intentionality and awareness of unlawful acts and/or acts committed by people inside and/or outside to obtain personal and/or group benefits that directly or indirectly harm other people and/or groups."*¹¹

The criteria for action and/or behaviour are categorized as *fraud* or fraud, namely fulfilling the element of intentionality in action, there is a victim, there is an element of coercion towards the victim to obey the wishes of the perpetrator, the victim is proven to have material and/or non-material losses according to Kusumawati, 2020.¹²

The *fraud* that may occur related to Indonesian Migrant Workers (PMI) is the presence of fake remittance agents in various interconnected countries. Barred that the agent is registered with the authority of the destination country, and it shows fake digital certificate is enough to convince Indonesian Migrant Workers (PMI). In addition, *fraud* that occurs in implementing remittances is the spread of *malicious* to the SWIF network. Therefore, it is necessary to take preventive measures by forming an anti-fraud culture in the implementation of Indonesian Migrant Workers (PMI) and remittances to increase the occurrence of remittance activities to improve the Indonesian economy.

Based on these conditions, it is to support the progress of the Indonesian economy by creating an *anti-fraud* culture, especially by sending Indonesian Migrant Workers (PMI) abroad to encourage positive economic growth through remittances. So that in creating an anti-fraud culture, it is necessary to create a role in anti-fraud culture in sending Indonesian Migrant Workers (PMI) abroad to encourage positive economic growth?; how is the relationship between remittances and economic growth in Indonesia?

Based on these problems, this study aims to know the era of Anti-Fraud culture in sending Indonesian Migrant Workers (PMI) abroad to encourage positive economic growth and the relationship between remittances and economic growth in Indonesia. So that this research is expected to be able to provide a description and contribution to encouraging positive economic growth in Indonesia through sending Indonesian Migrant Workers (PMI) abroad, which produces remittance output so that it can be used as a reference for practitioners, lecturers, students, and the public so that it can be developed in the subsequent research.

2. Method

This research method uses a qualitative method of library study (library research) by using books and other literature as the main object. The type of data used comes from objects that are

¹⁰ Arens, Arvin A, R. J. E. and M. S. B. "Auditing and Assurance Services Integrated Approach." Jakarta: Erlangga. (2008).

¹¹ ACFE Indonesia Chapter #111. "Indonesian Fraud Survey. Association of Certified Fraud Examiners," 7-10. (2016).

¹² M. P. Kusumawati, "Leadership in Good Corporate Governance (Gcg) As a Role Model of Anti-Fraud Culture." *Asia Pacific Fraud Journal*, 5(2), 258. (2020). <https://doi.org/10.21532/apfjournal.v5i2.165>

secondary data. Data sources in the form of objects used, such as news, articles, court decisions, and journals of previous research results that have a DOI and have been published with related topics in this study. Noeng, 1998 explained that the literature here is a study without empirical tests.¹³ The study of the literature of collecting the data sought, selected, and then analyzed and presented to achieve the substance with the act of processing philosophically and theoretically. The data presented is in the form of words that require processing to be concise and systematic.

3. Results And Discussion

Article 27 paragraph (2) of the Constitution of the Republic of Indonesia of 1945 guarantees the right to work and decent livelihood. The guarantee for employment for every Indonesian citizen is not limited to the domestic scope. However, it is also allowed to get a job abroad by becoming an Indonesian Migrant Worker (PMI). Nevertheless, ironically, the opportunity to become an Indonesian Migrant Worker (PMI) abroad is not solely motivated by the guarantees provided by the state for every citizen to work abroad but is caused by the limited employment opportunities available at home. Our PMI is hailed as a State Foreign Exchange Hero in its development, but its fate is not as beautiful as the nominal remittances donated to our beloved country.

Bimal Ghosh, 2006 explained the history of PMI remittances in influencing the country's economic development by 58%,¹⁴ so remittances are the main driver of economic growth in Asia, especially ASEAN countries¹⁵, according to Ozaki 2018. Hansson, 2019 explained that compared to other ASIAN countries, Indonesia ranks fourth after China, the Philippines, and Vietnam. Although, from 2017 to 2018, Indonesia recorded a double-digit increase, it is alleged that there are still 50% of remittances through informal channels that financial institutions cannot record.¹⁶

Individuals or business entities that carry out small or large fund transactions between countries without requiring the basis or fulfilment of obligations for transaction purposes are part of the fund transfer called remittances. The legal basis for the implementation of fund transfers and remittances is regulated in Bank Indonesia Regulation No. 14/23/PBI/2012 concerning Fund Transfers and Bank Indonesia Circular Letter No. 15/23/DASP concerning the Implementation of Fund Transfers, which this regulation provides benefits for Indonesian Migrant Workers (PMI), including the guarantee of certainty for the senders and recipients of funds carried out as well as guarantees of safe and smooth fund transfer activities. The benefits obtained can be enjoyed with a note that Indonesian Migrant Workers must ensure that the organizers of fund transfers and remittances to be used have a permit from Bank Indonesia.

To support the formation of an *anti-fraud* culture in sending Indonesian Migrant Workers (PMI) and provide trust and convenience in transactions, researchers see the need to form an ecosystem that integrates. The development of the ecosystem is undoubtedly supported by qualified technology. An overview of researchers on the formation of a technology-based ecosystem for Indonesian Migrant Workers (PMI) as stated in Figure 1 below:

¹³ M. Noeng, "Qualitative Research Methods." Yogyakarta: Rake Sarasin. (1998).

¹⁴ Bimal Ghosh. "Migrants' Remittances and Development : Myths, Rhetoric and Realities. In IOM International Organization for Migration & The Hague Process on Refugees and Migration." Geneva, Switzerland. (2006).

¹⁵ M. Ozaki, "Migration and Remittances for Development in Asia. In World Bank." Philippines: Asian Development Bank & The World Bank Group." (2018). Retrieved from www.adb.org.

¹⁶ L. A. Hansson, "Migration and Remittances." In *Encyclopedia of Ecology*. (2019). <https://doi.org/10.1016/B978-0-12-409548-9.10596-2>.

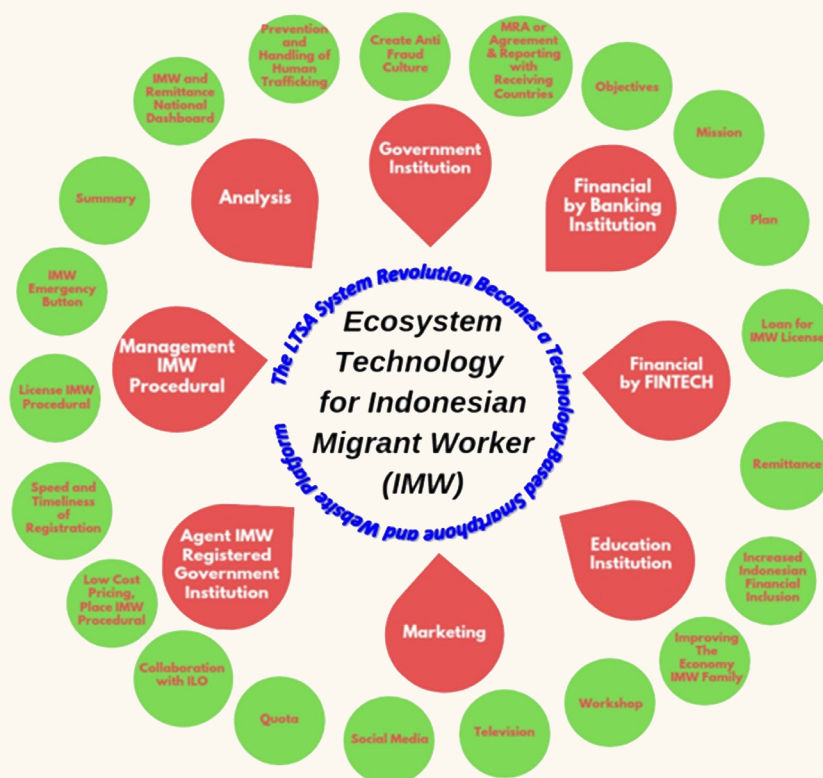


Figure 1. Source Processed by Researcher (2021)

The eight (8) supporting elements in the formation of the ecosystem are as follows: Government Institutions: Government institutions function to make strict but not convoluted regulations in the process of sending Indonesian Migrant Workers (PMI). Another thing that needs to be seen is the importance of an agreement between countries, as established in the *Mutual Recognition Arrangement* (MRA), which can then be represented through reports in real time. Banking: Banks function as fund providers if there are Indonesian Migrant Workers (PMI) who lack funds to register as Indonesian Migrant Workers (PMI) procedurally. With the provision of facilities such as people's business credit (KUR) by banking, which is then charged to the organizing agent, the cost of the people's business credit (KUR) remains affordable. However, the next problem is the length of the decision to receive people's business credit (KUR). Banking is also one of the institutions that provide remittance transactions.

Financial Technology (Fintech): *Fintech* is one of the solutions for creating speed and accuracy in finance, which is assisted by the latest technology. With *Fintech*, Indonesian Migrant Workers (PMI) can apply for online loans and will be approved faster than through banks. Nevertheless, the high-interest rates on online loans should be worth considering. *Fintech* is also one of the reasons to be used in remittance transactions with lower costs than banking. It offers speed and accuracy in sending remittance funds to families in Indonesia.

Educational Institutions: Educational Institutions should be able to provide an overview of the electability to the public. Providing education that is directly practised will make the community more prepared if one day they will become candidates for Indonesian Migrant Workers (PMI).

Marketing Model: The Marketing Model, which follows the latest trends, will make people who intend to become prospective Indonesian Migrant Workers (PMI) gain knowledge of registra-

tion procedures, quotas, destination countries, and official agents who organize PMI delivery programs. PMI organizing agencies registered with Government Institutions: Online registration via smartphone or the internet certainly provides comfort and security for prospective Indonesian Migrant Workers (PMI) in choosing an official organizing agent close to their domicile. In addition, it can narrow the wiggle room of fake agencies carrying out illegal (non-procedural) PMI shipments.

Procedural Management of Indonesian Migrant Workers (PMI): With the management of workers, real-time procedural PMI management can cut the registration time for prospective Indonesian Migrant Workers (PMI). In addition, with the integration between government agencies, even with the availability of an emergency button as a channel for complaints of fraud or violence while at work, it will be very quickly carried out countermeasures and handling if things happen outside the procedure can minimize the occurrence of fraud in getting a higher income compared to non-procedural PMI.

Analysis of Procedural Indonesian Migrant Workers (PMI): *Artificial Intelligence (Artificial Intelligence)* can efficiently perform analysis in *real time*. The fundamental analysis that can be broadcast in *real-time* is to create an *IMW and Remittance National Dashboard* that can display the distribution of PMI in several countries, the distribution of PMI origin, and the number of PMIs dispatched by officially registered agents. It can even bring up how many fraud actions are carried out by authorized or unofficial agents, *fraud* received by PMI, and even *fraud*, or why PMI did not choose to make remittance transactions officially.

Forming a technology ecosystem for PMI can minimize *fraud* in a series that is interrelated to PMI activities. This will slowly form an anti-fraud culture among PMI, organizing agencies, and fake agencies sending and receiving remittance transactions. If you look further, these 8 (eight) elements can make PMI candidates more understanding, ready, and feel safe when they register and leave as PMI. Furthermore, PMI will trust more remittance activities at official remittance agents, which has an impact on increasing the financial inclusion of the Indonesian economy and helping PMI families get a more decent life by improving their family economy.

4. Conclusion

Based on the researcher's observations, the development of an anti-fraud culture in the deployment process of Indonesian Migrant Workers (PMI) requires the establishing of a linked ecosystem that is integrated with technology-based systems. No fewer than eight of the key supporting components must be involved in order to build this ecosystem in an effective way. Those components are government institutions, banking services, fintech companies, educational institutions, marketing models, placement agencies of officially registered PMI, procedural management for PMI, and PMI data analysis.

Fraud within activities associated with PMI deployment abroad is expected to be greatly reduced through the presence of this thorough system, as reliable and secure remittance transactions are also quite eased. Furthermore, remittances do closely relate to Indonesia's overall economic growth. When PMI gives remittance business to official, licensed agents, it helps incorporate finances more within Indonesia's economy. Additionally, the families of PMI are positively impacted through this process, so they achieve better and more decent living standards compared with previous conditions.

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