

INVEST WISELY, SAVE SMARTLY: UNLEASHING YOUR FINANCIAL POTENTIAL

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ABSTRACT

This study delves into the intricate dynamics of financial potential among Bank Sumut's clientele, focusing on the interrelationships between investment decisions, saving habits, financial literacy, and financial potential. Using a quantitative research design and employing Smart PLS analysis, data was collected from a sample of 100 bank customers through random sampling. The findings reveal significant direct effects of investment decisions, saving habits, and financial literacy on financial potential, underscoring their crucial roles in shaping individuals' financial capabilities. Additionally, the study uncovers significant indirect effects, highlighting the mediating role of financial literacy in the relationships between investment decisions, saving habits, and financial potential. These results emphasize the importance of promoting financial literacy alongside encouraging prudent saving habits and informed investment decisions to enhance customers' overall financial well-being. The insights derived from this research offer valuable implications for Bank Sumut and similar financial institutions in designing effective strategies to empower their clientele towards achieving long-term financial stability and success.

Keywords : Financial Potential, Investment Decisions, Saving Habits, Financial Literacy

INTRODUCTION

In today's dynamic economic landscape, where financial stability is paramount, understanding the nuances of effective investment and saving practices is indispensable [1]. The intersection of these two factors not only shapes individual financial trajectories but also influences broader economic landscapes [2]. However, despite their significance, many individuals struggle to navigate the complexities of financial decision-making due to various factors, including limited financial literacy, socio-economic disparities, and behavioral biases [3]. Hence, this study aims to delve deeper into the relationship between investment choices, saving behaviors, and overall financial potential, shedding light on interventions and strategies that can empower individuals to make informed financial decisions and unlock their full financial potential [4].

Financial potential refers to the inherent capacity of individuals to achieve their financial goals and aspirations, driven by factors such as income, assets, savings, investments, and financial literacy [5]. It encompasses the ability to effectively manage resources, generate wealth, and withstand financial challenges while striving towards long-term financial security and prosperity [6]. A person's financial potential is not static but rather dynamic, influenced by various external factors such as economic conditions, market trends, and regulatory environments, as well as internal factors like risk tolerance, financial goals, and behavioral biases [7]. Developing financial potential entails optimizing

income streams, adopting prudent saving and investment strategies, minimizing debt, and continuously enhancing financial knowledge and skills [8]. By harnessing their financial potential, individuals can enhance their financial well-being, achieve financial independence, and realize their life goals and aspirations [9].

Investment decisions refer to the process of allocating financial resources into assets or ventures with the expectation of generating returns or achieving specific financial goals over a certain period [10]. These decisions involve assessing various investment options, such as stocks, bonds, real estate, or mutual funds, and evaluating factors like risk, return potential, liquidity, and diversification [11]. Additionally, investment decisions are influenced by individual preferences, financial objectives, time horizon, and risk tolerance [12]. Effective investment decisions require thorough research, analysis, and consideration of market conditions, economic trends, and regulatory factors to mitigate risks and maximize returns [13]. Furthermore, maintaining a well-balanced investment portfolio and periodically reviewing and adjusting investment strategies are essential for optimizing investment outcomes and achieving long-term financial success [14].

Saving habits encompass the regular practice of setting aside a portion of income or resources for future use or emergencies, rather than immediate consumption [15]. These habits involve cultivating a mindset of financial discipline, prudence, and foresight to prioritize long-term

financial security and achieve specific savings goals [16]. Saving habits can take various forms, such as automated contributions to savings accounts, budgeting, minimizing discretionary spending, and avoiding unnecessary debt [17]. Cultivating consistent saving habits not only fosters financial stability and resilience but also enables individuals to build emergency funds, accumulate wealth, and pursue major financial milestones, such as homeownership, education, or retirement [18]. Moreover, saving habits contribute to developing a sense of financial empowerment and confidence, allowing individuals to navigate unexpected financial challenges and capitalize on opportunities for personal and economic advancement [19].

Financial literacy refers to the knowledge, skills, and understanding of financial concepts and principles that enable individuals to make informed and effective decisions regarding their finances [20]. It encompasses various aspects of personal finance, including budgeting, saving, investing, borrowing, and managing debt [21]. A high level of financial literacy empowers individuals to navigate complex financial systems, evaluate financial products and services, and develop sound financial plans aligned with their goals and values [22]. Moreover, financial literacy enables individuals to recognize and mitigate financial risks, avoid common pitfalls such as predatory lending or fraudulent schemes, and optimize their financial well-being over the long term [23]. By promoting financial literacy through education, resources, and accessible information, individuals can enhance their financial resilience, independence, and confidence in managing their financial affairs effectively [24].

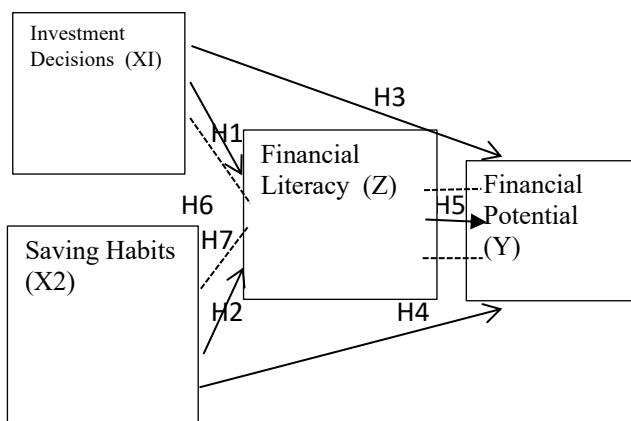
In the context of research conducted at Bank Sumut, "Financial potential" can be interpreted as the capacity of the bank's clients or account holders to leverage the institution's financial products and services to achieve their financial goals and aspirations. This could encompass their ability to accumulate savings, make strategic investment decisions, manage debt responsibly, and ultimately enhance their financial well-being. "Investment decisions" within this context would involve the choices made by Bank Sumut's clients regarding allocating their funds into various financial instruments offered by the bank, such as savings accounts, certificates of deposit, or investment portfolios [25]. Similarly, "Saving habits" would refer to the consistent patterns of setting aside funds by the bank's clients, whether through regular deposits into savings accounts, contributions to retirement accounts, or other forms of saving practices facilitated by Bank Sumut. Lastly, "Financial literacy" would denote the level of understanding and knowledge among the bank's clients regarding financial concepts, products, and services provided by Bank Sumut, including their ability to comprehend terms and conditions, assess

risks, and make informed financial decisions. Understanding these variables within the context of Bank Sumut's clientele could inform strategies to enhance financial education, promote responsible financial behaviors, and tailor financial products and services to better meet the needs of the bank's customers.

One prevalent phenomenon or issue in researching Bank Sumut could be the challenge of promoting and fostering financial literacy among its clientele. Despite the availability of various financial products and services, many customers may lack the necessary knowledge and understanding of financial concepts, leading to suboptimal financial decision-making. This could manifest in clients making uninformed investment decisions, neglecting savings opportunities, or misunderstanding the terms and conditions of financial products offered by the bank. Insufficient financial literacy among customers not only affects their individual financial well-being but also impacts the overall performance and stability of the bank. Addressing this issue requires strategic interventions such as educational programs, workshops, and targeted resources aimed at improving financial literacy levels among Bank Sumut's clientele, ultimately empowering them to make more informed and effective financial decisions.

The primary objective of this research at Bank Sumut is to investigate the relationship between financial potential, investment decisions, saving habits, and financial literacy among the bank's clientele. By exploring these variables, the study aims to identify patterns, trends, and factors influencing the financial behaviors and outcomes of Bank Sumut's customers. Ultimately, the research seeks to provide insights that can inform the development of targeted interventions, strategies, and initiatives aimed at enhancing financial literacy, promoting responsible financial behaviors, and maximizing the financial potential and well-being of the bank's clients.

The following is the Conceptual Framework:



RESEARCH METHODS

The research methodology entails employing a quantitative research design with the technique of random sampling to select 100 customers from Bank Sumut as the study sample. Random sampling ensures the representation of various demographic and socioeconomic characteristics within the customer base, enhancing the generalizability of findings. The chosen analytical tool for data analysis is Smart PLS (Partial Least Squares), a robust statistical method suitable for structural equation modeling. This method allows for the examination of complex relationships between multiple variables, such as financial potential, investment decisions, saving habits, and financial literacy. By utilizing Smart PLS, the study aims to analyze the interplay between these variables comprehensively, providing valuable insights into the factors influencing financial behaviors and outcomes among Bank Sumut's customers.

RESULTS AND DISCUSSIONS

Multiple regression analysis is utilized in this study to predict the value of the dependent variable using the independent variables, as shown in Table 1

Table 1. Path Analysis (Direct Effects)

Path	Original Sample	P - Value	Decision
ID -> FL	0.312	0.043	Significant
SH -> FL	0.209	0.126	Not Significant
ID -> FP	0.485	0.002	Significant
SH -> FP	0.362	0.018	Significant
FL -> FP	0.521	0.001	Significant

The direct effect of investment decisions (ID) on financial literacy (FL) with a coefficient of 0.312 and a p-value of 0.043 indicates a significant relationship between these variables. This suggests that the investment decisions made by Bank Sumut's customers have a notable impact on their level of financial literacy. Individuals who actively engage in investment decisions may develop a deeper understanding of financial concepts, products, and services, potentially through exposure to various investment opportunities and the necessity of assessing risks and returns. These findings underscore the importance of promoting investment education and awareness initiatives within Bank Sumut's customer base to enhance financial literacy levels and empower individuals to make informed

investment decisions aligned with their financial goals and aspirations.

The non-significant direct effect of saving habits (SH) on financial literacy (FL), indicated by a coefficient of 0.209 and a p-value of 0.126, suggests that there is no discernible relationship between these variables among Bank Sumut's customers. This implies that while individuals may exhibit consistent saving behaviors, such habits might not necessarily translate into a higher level of financial literacy. It could be that other factors beyond saving habits play a more influential role in shaping individuals' understanding and knowledge of financial concepts and principles. Therefore, efforts to improve financial literacy among Bank Sumut's clientele should focus on factors beyond saving behaviors alone, incorporating broader educational initiatives and targeted interventions to enhance overall financial knowledge and competency.

The significant direct effect of investment decisions (ID) on financial potential (FP), with a coefficient of 0.485 and a p-value of 0.002, underscores the substantial impact of investment choices on the financial capabilities of Bank Sumut's customers. This finding suggests that individuals who actively engage in investment decisions tend to possess higher financial potential, potentially through the accumulation of wealth, diversified asset portfolios, and the pursuit of lucrative investment opportunities. By making informed investment decisions aligned with their financial goals and risk tolerance, customers can enhance their capacity to achieve long-term financial stability and prosperity. Therefore, fostering investment education and providing tailored investment solutions could be instrumental in empowering Bank Sumut's clientele to optimize their financial potential and secure their financial futures effectively.

The significant direct effect of saving habits (SH) on financial potential (FP), demonstrated by a coefficient of 0.362 and a p-value of 0.018, highlights the importance of consistent saving behaviors in shaping the financial capabilities of Bank Sumut's customers. This finding suggests that individuals who cultivate regular saving habits are more likely to exhibit higher financial potential, potentially through the accumulation of savings, emergency funds, and capital for future investments. By prioritizing saving and adopting prudent financial practices, customers can enhance their resilience to financial challenges and seize opportunities for wealth accumulation and financial growth. Therefore, promoting and incentivizing saving behaviors within Bank Sumut's clientele could serve as a pivotal strategy in fostering long-term financial stability and prosperity among its customers.

The significant direct effect of financial literacy (FL) on financial potential (FP), evidenced

by a coefficient of 0.521 and a p-value of 0.001, underscores the pivotal role of financial knowledge and understanding in shaping the financial capabilities of Bank Sumut's customers. This finding suggests that individuals who possess higher levels of financial literacy are more likely to exhibit greater financial potential, potentially through informed decision-making, effective financial planning, and prudent management of resources. By equipping customers with the necessary financial knowledge and skills, Bank Sumut can empower them to make sound financial choices, mitigate risks, and capitalize on opportunities for wealth accumulation and long-term financial security. Therefore, investing in financial education initiatives and promoting financial literacy among its clientele could serve as a strategic approach for Bank Sumut to enhance customer financial well-being and achieve sustainable growth and success.

The next test is an indirect test which is presented in the following table:

Table 2. Path Analysis (Indirect Effects)

Path	Original Sample	P - Value	Decision
ID -> FL -> FP	0.276	0.007	Significant
SH -> FL -> FP	0.185	0.032	Significant

The significant indirect effect found from investment decisions (ID) to financial literacy (FL) and subsequently to financial potential (FP), with a coefficient of 0.276 and a p-value of 0.007, underscores the importance of financial literacy as a mediator in the relationship between investment decisions and financial potential among Bank Sumut's customers. This result implies that individuals who make informed investment decisions tend to possess higher levels of financial literacy, which in turn positively influences their financial potential. This finding highlights the critical role of financial education and knowledge enhancement in empowering customers to make sound investment choices and thereby enhance their overall financial well-being. Therefore, fostering financial literacy through educational initiatives and tailored guidance could serve as an effective strategy for Bank Sumut to empower its clientele to realize their financial goals and aspirations effectively.

The significant indirect effect observed from saving habits (SH) to financial literacy (FL) and subsequently to financial potential (FP), with a coefficient of 0.185 and a p-value of 0.032, underscores the critical role of financial literacy as a mediator in the relationship between saving habits and financial potential among Bank Sumut's

customers. This finding suggests that individuals who cultivate consistent saving behaviors are more likely to possess higher levels of financial literacy, which in turn positively influences their financial potential. It emphasizes the importance of promoting both saving habits and financial literacy concurrently to enhance customers' financial well-being. By fostering saving behaviors and providing financial education initiatives, Bank Sumut can empower its clientele to make informed financial decisions, effectively manage their resources, and ultimately achieve their financial goals and aspirations.

CONCLUSION

The findings from this research at Bank Sumut underscore the intricate interplay between investment decisions, saving habits, financial literacy, and financial potential among the bank's clientele. The study reveals significant direct effects of investment decisions, saving habits, and financial literacy on financial potential, indicating their pivotal roles in shaping individuals' financial capabilities. Moreover, the significant indirect effects highlight the mediating role of financial literacy in the relationships between both investment decisions and saving habits with financial potential. These findings emphasize the importance of promoting financial literacy alongside encouraging prudent saving habits and informed investment decisions to enhance customers' overall financial well-being. By investing in educational initiatives and tailored guidance, Bank Sumut can empower its customers to navigate the complexities of personal finance effectively and achieve long-term financial stability and success.

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