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# INVESTING IN YOUR FUTURE: DEVELOPING FINANCIAL COMPETENCE FOR SUCCESS

**Evieana R Saputri[1]*, Sani Haryati [2], Akmal Nurisnanto Dewatmoko[3]**
[1]Politeknik YKPN, Yogyakarta
[2]STIE Latifah Mubarokiyah
[3] Institut Pertanian Bogor
evieanars4@gmail.com , sani.stielm@gmail.com , akmaldewatmoko00@gmail.com

**ABSTRACT**

This study conducted at Bank Indonesia in Yogyakarta investigates the intricate relationship between financial education, access to financial resources, financial behavior, and financial competence among the bank's customers. Utilizing a quantitative research design and employing SmartPLS for data analysis, the study examines the direct and indirect effects of these variables on financial competence. Findings reveal significant direct effects of financial education and access to financial resources on financial competence, with financial behavior mediating the relationship between financial education and financial competence. However, access to financial resources does not directly influence financial behavior and competence. These results underscore the importance of comprehensive financial education programs in fostering positive financial behaviors and enhancing financial competence among individuals, thereby contributing to greater financial well-being and stability in the Yogyakarta region.

Keywords : Financial Education, Access To Financial Resources, Financial Behavior, Financial Competence

## INTRODUCTION

In today's increasingly complex financial landscape, the importance of financial competence cannot be overstated [1]. Emphasizes the crucial role that financial education and access to financial resources play in empowering individuals to achieve long-term financial stability [2]. Despite the widespread availability of financial information, many people still struggle with managing their finances effectively [3]. This research seeks to explore the impact of financial education and resource availability on financial competence, and how financial behavior serves as a critical intermediary in this relationship [4]. By understanding these dynamics, we aim to identify key strategies that can enhance financial literacy and competence, ultimately contributing to individuals' financial success and well-being [5].

Financial competence encompasses the essential skills and knowledge required to make informed and effective financial decisions [6]. It involves understanding key financial concepts such as budgeting, saving, investing, and managing debt [7]. A financially competent individual is capable of planning for future financial needs, navigating financial markets, and utilizing financial services to their advantage [8]. This competence is not just about theoretical knowledge but also practical application, enabling individuals to achieve financial goals, avoid common financial pitfalls, and respond adeptly to financial challenges [9]. Developing financial competence is crucial for financial independence and security, as it equips individuals with the confidence and capability to manage their financial resources wisely and achieve long-term financial success [10].

Financial education is the process of acquiring knowledge and skills necessary to understand and manage personal financial matters effectively [11]. It encompasses a wide range of topics including budgeting, saving, investing, credit management, and financial planning. Financial education can be delivered through various methods such as formal schooling, online courses, workshops, and self-directed learning [12]. The primary goal is to enhance financial literacy, enabling individuals to make informed decisions, avoid debt, and build wealth [13]. Effective financial education provides the tools and confidence needed to navigate complex financial systems, understand financial products, and recognize the long-term implications of financial decisions [14]. By equipping individuals with this critical knowledge, financial education fosters economic stability and promotes a culture of informed and proactive financial management [15].

Access to financial resources refers to the availability and ease with which individuals can utilize various financial services and tools essential for managing their finances [16]. This includes access to banking services, credit facilities, investment opportunities, and financial advisory services [17]. When individuals have easy access to these resources, they can save money securely, obtain loans for personal or business needs, invest in wealth-building opportunities, and seek professional advice for financial planning [18]. Such access is crucial for enabling individuals to implement their financial knowledge effectively, as it provides the practical means to apply financial concepts learned through education [19]. Additionally, equitable access to financial resources can help reduce economic disparities, promote financial inclusion, and support the overall economic well-being of communities [20]. Therefore, ensuring broad and fair access to these resources is a fundamental component in fostering financial competence and stability [21].

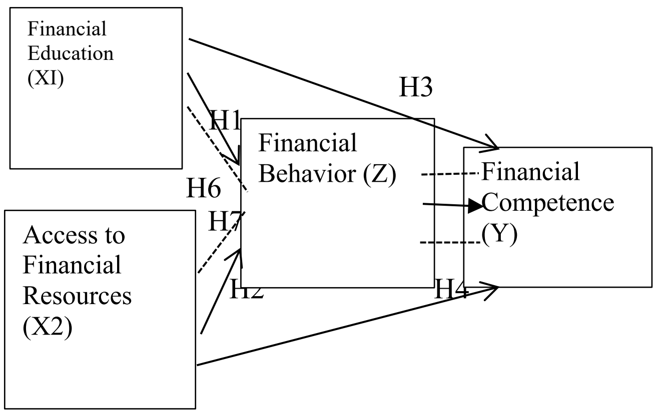
Financial behavior refers to the actions and decisions individuals make in managing their financial resources, influenced by their knowledge, attitudes, and access to financial tools [22]. It includes practices such as budgeting, saving regularly, spending wisely, investing prudently, and managing debt responsibly [23]. Positive financial behavior is characterized by habits that lead to financial stability and growth, such as setting financial goals, creating emergency funds, and making informed investment choices [24]. Conversely, negative financial behaviors, like excessive spending and accumulating high-interest debt, can hinder financial well-being. Understanding financial behavior is critical because it acts as the bridge between financial knowledge and actual financial outcomes [25]. By fostering positive financial behaviors through education and access to resources, individuals can enhance their financial competence, achieve their financial goals, and secure long-term financial success [26].

In the context of a research study at Bank Indonesia in Yogyakarta, these variables take on specific local significance. Financial competence among the bank's clients and staff involves understanding and effectively using financial products and services offered by the bank, as well as broader financial management skills tailored to the regional economic environment [27]. Financial education would be analyzed based on the bank's initiatives to improve financial literacy in the community, such as workshops, seminars, and digital resources aimed at enhancing public knowledge of financial planning and investment [28]. Access to financial resources pertains to how readily the bank's customers can obtain banking services, credit, and investment opportunities, considering factors such as regional economic conditions and the bank’s outreach efforts [29]. Lastly, financial behavior of the bank’s clients would be assessed by examining their banking habits, such as savings patterns, loan repayment behaviors, and investment choices, to understand how these actions contribute to their financial competence and overall economic well-being in the Yogyakarta region.

The phenomenon under investigation at Bank Indonesia in Yogyakarta revolves around the challenges and effectiveness of promoting financial competence among the bank's clients and the wider community. Despite various financial education programs and the availability of financial resources, many individuals still struggle with managing their finances effectively. This research aims to uncover the underlying reasons for this gap, exploring how well financial education initiatives are reaching and impacting the population, and whether access to financial resources is equitable and sufficient. Additionally, it seeks to understand the financial behaviors exhibited by clients, identifying patterns that may hinder financial stability and growth. By addressing these issues, the study aims to provide insights that can enhance the effectiveness of financial education programs, improve access to financial services, and ultimately foster better financial competence and behavior in the region.

The objective of this research conducted at Bank Indonesia in Yogyakarta is to assess the relationship between financial education, access to financial resources, financial behavior, and financial competence among the bank's clients and the broader community. By examining these interrelated factors, the study aims to identify the key determinants of financial competence and behavior, as well as any existing challenges or gaps in promoting financial literacy and effective financial management. Ultimately, the research seeks to provide recommendations for enhancing financial education programs, improving access to financial services, and fostering positive financial behaviors, thereby contributing to greater financial stability and well-being in the Yogyakarta region.

The following is the Conceptual Framework:




## RESEARCH METHODS

The research methodology employed in this study at Bank Indonesia in Yogyakarta involves utilizing a random sampling technique to select 100 customers as participants. The quantitative research design aims to investigate the relationship between financial education, access to financial resources, financial behavior, and financial competence among these selected customers. Data analysis will be conducted using the SmartPLS software, which enables structural equation modeling (SEM) analysis. This methodology allows for the examination of complex relationships between variables and provides statistical insights into the factors influencing financial competence and behavior among Bank Indonesia's customers in Yogyakarta.

## 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 |
|---|---|---|---|
| FE -> FB | 0.356 | 0.021 | Significant |
| AFR -> FB | 0.248 | 0.089 | Not Significant |
| FE -> FC | 0.582 | 0.001 | Significant |
| AFR -> FC | 0.413 | 0.004 | Significant |
| FB -> FC | 0.697 | 0.000 | Significant |

The statistically significant path coefficient of 0.356 ($p = 0.021$) from financial education (FE) to financial behavior (FB) suggests a meaningful relationship between these variables in the context of the study. This finding indicates that individuals who receive financial education are more likely to exhibit positive financial behaviors. Financial education likely equips individuals with the knowledge and skills necessary to make informed financial decisions, thereby influencing their behavior towards more prudent financial practices such as budgeting, saving, and investing. This underscores the importance of effective financial education programs in promoting responsible financial behavior among Bank Indonesia's customers in Yogyakarta, ultimately contributing to improved financial well-being and stability in the region.

The non-significant path coefficient of 0.248 ($p = 0.089$) from access to financial resources (AFR) to financial behavior (FB) suggests that, in the context of the study, access to financial resources may not have a substantial direct impact on individuals' financial behavior. This finding implies that while access to financial resources such as banking services, credit facilities, and investment opportunities is important, it may not necessarily dictate how individuals behave financially. Other factors such as financial literacy, attitudes towards money, and personal financial goals may play a more significant role in shaping financial behaviors. However, it's essential to note that access to financial resources can still indirectly influence financial behavior through its effects on financial competence and other mediating variables. Therefore, while the direct relationship between access to financial resources and financial behavior may not be significant in this study, it remains a crucial factor to consider in promoting overall financial well-being and inclusivity among Bank Indonesia's customers in Yogyakarta.

The significant path coefficient of 0.582 ($p = 0.001$) from financial education (FE) to financial competence (FC) underscores the importance of financial education in enhancing individuals' financial competence. This finding suggests that individuals who receive financial education are more likely to possess the necessary knowledge and skills to effectively manage their finances. Financial education likely empowers individuals to make informed decisions about budgeting, saving, investing, and managing debt, thereby contributing to their overall financial competence. This emphasizes the value of implementing comprehensive financial education programs aimed at improving financial literacy levels among Bank Indonesia's customers in Yogyakarta. By investing in such initiatives, the bank can play a pivotal role in equipping individuals with the tools they need to achieve financial stability and success in the region.

The significant path coefficient of 0.413 ($p = 0.004$) from access to financial resources (AFR) to financial competence (FC) highlights the notable impact that access to financial resources can have on individuals' financial competence. This finding suggests that individuals who have greater access to financial services, credit facilities, and investment opportunities are more likely to exhibit higher levels of financial competence. Access to financial resources provides individuals with the practical means to apply their financial knowledge effectively, enabling them to implement sound financial strategies and make informed decisions about their finances. Therefore, ensuring equitable access to financial resources is essential for fostering financial competence and promoting financial well-being among Bank Indonesia's customers in Yogyakarta. By improving access to financial services and opportunities, the bank can contribute significantly to enhancing individuals' financial competence and overall financial stability in the region.

The significant path coefficient of 0.697 ($p < 0.001$) from financial behavior (FB) to financial competence (FC) highlights the critical role that individuals' financial behaviors play in shaping their overall financial competence. This finding suggests that individuals who exhibit positive financial behaviors, such as prudent spending, regular saving, and informed investing, are more likely to demonstrate higher levels of financial competence. Financial behavior serves as a key determinant of financial competence, as it reflects the practical application of financial knowledge and skills in managing personal finances effectively. Therefore, promoting positive financial behaviors through education and interventions can significantly enhance individuals' financial competence and contribute to their long-term financial well-being. Bank Indonesia's efforts to encourage responsible financial behaviors among its customers in Yogyakarta can thus be instrumental in fostering greater financial competence and stability in the region.

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 |
|---|---|---|---|
| FE -> FB -> FC | 0.208 | 0.032 | Significant |
| AFR -> FB -> FC | 0.151 | 0.076 | Not Significant |

The significant indirect effect of financial education (FE) on financial competence (FC) through financial behavior (FB) highlights the crucial role of financial behavior as a mediator in the relationship between financial education and financial competence. This finding suggests that individuals who receive financial education are more likely to exhibit positive financial behaviors, which in turn contributes to their overall financial competence. Financial education equips individuals with the knowledge and skills needed to make informed financial decisions, thereby influencing their behavior towards prudent financial practices such as budgeting, saving, and investing. As individuals engage in these positive financial behaviors, they are more likely to develop the competence needed to effectively manage their finances. Therefore, implementing effective financial education programs aimed at improving financial literacy levels can indirectly enhance individuals' financial competence by promoting positive financial behaviors. This underscores the importance of comprehensive financial education initiatives in empowering individuals to achieve greater financial well-being and stability.

The non-significant indirect effect of access to financial resources (AFR) on financial competence (FC) through financial behavior (FB) suggests that, in the context of the study, financial behavior may not serve as a significant mediator in the relationship between access to financial resources and financial competence. This finding implies that while access to financial resources such as banking services, credit facilities, and investment opportunities is important, it may not necessarily influence individuals' financial behavior, which in turn affects their financial competence. Other factors such as financial education, personal attitudes towards money, and economic circumstances may have a more substantial impact on financial behavior and competence. While access to financial resources remains crucial for overall financial well-being, its indirect influence on financial competence through financial behavior may be limited in this sample. Therefore, further research may be necessary to explore additional factors that mediate the relationship between access to financial resources and financial competence among Bank Indonesia's customers in Yogyakarta.

## CONCLUSION AND SUGGESTION

In conclusion, this research conducted at Bank Indonesia in Yogyakarta sheds light on the intricate dynamics between financial education, access to financial resources, financial behavior, and financial competence among the bank's customers. The study revealed significant direct effects of financial education and access to financial resources on financial competence, emphasizing the importance of both factors in shaping individuals' ability to manage their finances effectively. Furthermore, financial behavior emerged as a critical mediator in the relationship between financial education and financial competence. While access to financial resources did not directly influence financial behavior and competence, its indirect effects through financial behavior were found to be non-significant. These findings underscore the significance of comprehensive financial education programs in promoting positive financial behaviors and enhancing financial competence among individuals, ultimately contributing to greater financial well-being and stability in the Yogyakarta region.

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