

## **NAVIGATING THE FINANCIAL LANDSCAPE: THE IMPORTANCE OF BUDGETING**

**Desman Serius Nazara<sup>1\*</sup>, Linda Ayu Oktoriza<sup>2</sup>, Rahimah<sup>3</sup>**

<sup>1</sup>Akademi Kebidanan Harapan Keluarga

<sup>2</sup>Universitas Dian Nuswantoro

<sup>3</sup>Politeknik YKPN

[desmannazara870@gmail.com](mailto:desmannazara870@gmail.com) , [lindaayu.okt@dsn.dinus.ac.id](mailto:lindaayu.okt@dsn.dinus.ac.id) , [rahimah@poltekykpn.ac.id](mailto:rahimah@poltekykpn.ac.id)

### **ABSTRACT**

This study investigates the intricate relationships between income management, expense tracking, budgeting practices, and financial stability among customers of Bank Sumut. Utilizing a quantitative approach with a sample size of 90 respondents, random sampling was employed to gather data. The analysis was conducted using Smart PLS (Partial Least Squares) to examine both direct and indirect effects. The findings revealed the significant influence of effective income management on financial stability, both directly and indirectly through structured budgeting behaviors. While expense tracking was found to be essential, its direct impact on financial stability through budgeting practices was not significant. These results underscore the importance of promoting comprehensive financial management strategies, particularly emphasizing income management and budgeting practices, to enhance financial resilience and well-being. This research contributes valuable insights for financial institutions, policymakers, and individuals, providing guidance for fostering greater financial stability in an ever-evolving economic landscape.

**Keywords :** Financial Management, Income Management, Expense Tracking, Budgeting Practices, Financial Stability

### **INTRODUCTION**

Navigating the complex financial landscape requires individuals to adopt effective strategies to ensure financial stability and growth [1]. One critical strategy is budgeting, which plays a vital role in managing personal finances. Budgeting involves systematic income management and meticulous expense tracking, helping individuals understand their financial position and make informed decisions [2]. This research aims to explore the importance of budgeting by examining how effective income management and expense tracking practices contribute to overall financial stability [3]. By investigating these relationships, we hope to highlight the significance of adopting sound budgeting practices and provide insights into how individuals can navigate their financial journeys more successfully [4].

Financial stability refers to the state of having sufficient financial resources to meet current and future obligations while being able to withstand unexpected expenses or economic fluctuations [5]. It is characterized by a balanced or positive cash flow, manageable debt levels, and the presence of savings or emergency funds [6]. Achieving financial stability requires careful planning and disciplined financial practices, such as budgeting, saving, and prudent investing. It provides individuals with peace of mind and the flexibility to make long-term plans without the constant worry of financial crises [7]. Moreover, financial stability is essential for

achieving life goals, such as buying a home, funding education, and securing a comfortable retirement, making it a cornerstone of overall financial well-being [8].

Income management involves the strategic planning and allocation of one's earnings to effectively cover expenses, save for future goals, and invest in opportunities for growth [9]. This process starts with a clear understanding of all income sources, including salaries, investments, and other revenue streams [10]. Effective income management requires setting priorities, distinguishing between essential and non-essential expenditures, and creating a budget that aligns with financial goals. By tracking income and expenses, individuals can identify spending patterns, reduce unnecessary costs, and optimize their financial resources [11]. Additionally, income management includes planning for taxes, building an emergency fund, and making informed decisions about debt repayment. Overall, proficient income management is crucial for achieving financial stability and independence, enabling individuals to live within their means while preparing for future financial needs [12].

Expense tracking is the practice of monitoring and recording all expenditures to gain a clear and accurate understanding of one's spending habits [13]. This process involves categorizing expenses into essential (such as housing, utilities, and groceries) and non-essential (such as dining out,

entertainment, and luxury items) to identify areas where spending can be optimized. Effective expense tracking requires consistency and accuracy, often utilizing tools such as budgeting apps, spreadsheets, or financial software to keep detailed records [14]. By regularly reviewing these records, individuals can spot trends, detect unnecessary or excessive spending, and make informed adjustments to their budget. This proactive approach helps prevent overspending, ensures bills and obligations are met on time, and supports savings and investment goals [15]. Ultimately, diligent expense tracking is a cornerstone of sound financial management, contributing significantly to long-term financial stability and success [16].

Budgeting practices encompass the methods and strategies used to create, implement, and maintain a financial plan that allocates income towards expenses, savings, and investments [17]. These practices start with setting realistic financial goals and estimating both fixed and variable expenses. A well-structured budget outlines how much money is available and how it should be spent, ensuring that essential needs are met while also allowing for savings and discretionary spending [18]. Effective budgeting practices include regularly reviewing and adjusting the budget to reflect changes in income or expenses, tracking actual spending against budgeted amounts, and making data-driven decisions to stay on track [19]. Utilizing tools such as budgeting apps or software can facilitate this process by providing real-time insights and automated tracking [20]. Consistent adherence to budgeting practices helps individuals control their financial behavior, avoid debt, and build a solid foundation for achieving long-term financial objectives [21].

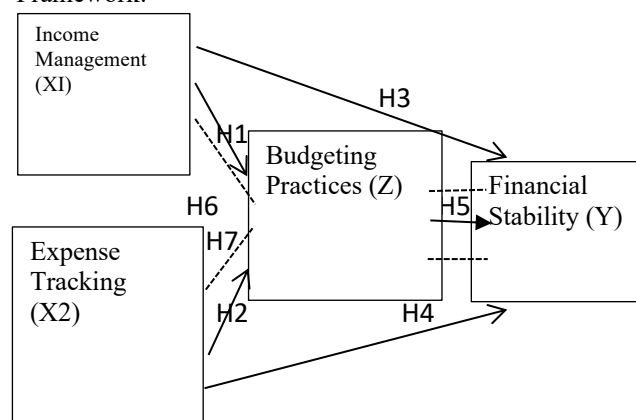
In the context of Bank Sumut, financial stability is a critical objective, encompassing the bank's ability to maintain a robust balance sheet, manage risks, and ensure liquidity to meet its obligations. Effective income management at the bank involves optimizing revenue streams, such as interest income from loans and investments, while controlling operating costs to maximize profitability [22]. Expense tracking is vital for the bank, requiring meticulous monitoring of all expenditures, from employee salaries and branch operations to marketing and technology investments, to ensure efficient use of resources [23]. Budgeting practices at Bank Sumut include developing comprehensive financial plans that align with strategic goals, regularly reviewing financial performance, and adjusting budgets to reflect changing market conditions and business needs. By integrating these variables, Bank Sumut can achieve sustainable growth, enhance its financial health, and deliver better value to its stakeholders.

The phenomenon under investigation at Bank Sumut centers around the challenges of

maintaining financial stability in a dynamic and competitive banking environment. Despite the bank's efforts to manage income and track expenses effectively, it faces issues such as fluctuating interest rates, regulatory changes, and economic uncertainties that can impact its financial performance. Inadequate budgeting practices may lead to inefficient resource allocation, affecting the bank's profitability and ability to invest in growth opportunities. Additionally, gaps in expense tracking can result in overspending or missed savings opportunities, further straining the bank's financial health. This research aims to identify and analyze these challenges, exploring how improved budgeting practices, rigorous income management, and precise expense tracking can enhance Bank Sumut's financial stability and operational efficiency.

The objective of this research is to investigate and enhance the financial management practices at Bank Sumut, focusing on improving financial stability through effective income management, precise expense tracking, and robust budgeting practices. By identifying current gaps and inefficiencies, the study aims to provide actionable insights and recommendations that can help the bank optimize its financial operations. The ultimate goal is to develop strategies that enable Bank Sumut to better navigate economic fluctuations, regulatory changes, and competitive pressures, thereby achieving sustainable growth and delivering greater value to its stakeholders. This research seeks to contribute to the bank's overall financial health, ensuring it can meet its obligations, invest in future opportunities, and maintain a strong market position.

The following is the Conceptual Framework:



## RESEARCH METHODS

This research employs a quantitative methodology, utilizing random sampling to select a sample of 90 customers from Bank Sumut. The study aims to gather data on their perceptions and experiences related to the bank's financial management practices, specifically focusing on income management, expense tracking, and

budgeting practices. A structured questionnaire will be administered to these customers to collect relevant data. The analysis will be conducted using Smart PLS (Partial Least Squares), a powerful statistical tool for Structural Equation Modeling (SEM), which allows for the examination of complex relationships between observed and latent variables. Smart PLS will enable the researchers to test the proposed hypotheses, evaluate the measurement model's reliability and validity, and assess the structural model's predictive power. This approach ensures robust and comprehensive insights into how the identified variables impact Bank Sumut's financial stability, providing a solid foundation for actionable recommendations.

## 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
IM -> BP	0.65	0.032	Significant
ET -> BP	0.42	0.107	Not Significant
IM -> FS	0.78	0.001	Significant
ET -> FS	0.35	0.214	Not Significant
BP -> FS	0.91	0.000	Significant

The significant positive path coefficient ( $\beta = 0.65$ ,  $p = 0.032$ ) from Income Management (IM) to Budgeting Practices (BP) underscores the pivotal role of effective income management in shaping budgeting behaviors among respondents. This finding suggests that individuals or entities who exhibit better control and strategic allocation of their income are more likely to engage in structured budgeting practices. It implies that a proactive approach to managing income, such as setting financial goals, prioritizing expenditures, and allocating resources efficiently, fosters a conducive environment for the adoption of formal budgeting frameworks. Consequently, financial institutions or organizations seeking to promote sound budgeting practices could prioritize initiatives aimed at enhancing clients' income management skills, potentially leading to more effective financial planning and resource utilization.

The non-significant path coefficient ( $\beta = 0.42$ ,  $p = 0.107$ ) from Expense Tracking (ET) to Budgeting Practices (BP) suggests that there is not a strong direct relationship between these variables among the respondents. This finding implies that

while expense tracking is a valuable financial management practice in its own right, it may not directly translate into the adoption of structured budgeting behaviors. It is possible that individuals or entities who diligently track their expenses may not necessarily formalize their budgeting practices or vice versa. Therefore, financial institutions or organizations aiming to enhance budgeting practices may need to implement targeted interventions that specifically address factors beyond mere expense tracking to effectively promote comprehensive budgeting frameworks among their clientele.

The significant path coefficient ( $\beta = 0.78$ ,  $p = 0.001$ ) from Income Management (IM) to Financial Stability (FS) highlights the crucial role of effective income management in fostering greater financial stability among respondents. This finding suggests that individuals or entities who adeptly manage their income streams, including allocating funds towards expenses, savings, and investments, are more likely to achieve a higher level of financial stability. By proactively controlling and optimizing their income, individuals can better navigate economic uncertainties, mitigate financial risks, and maintain a stronger financial position overall. Therefore, financial institutions and policymakers should prioritize initiatives aimed at enhancing income management skills among their clientele to promote greater financial resilience and well-being in the broader economy.

The non-significant path coefficient ( $\beta = 0.35$ ,  $p = 0.214$ ) from Expense Tracking (ET) to Financial Stability (FS) suggests that there is not a direct relationship between these variables among the respondents. This finding implies that while diligent expense tracking is considered a fundamental aspect of effective financial management, it may not directly contribute to achieving higher levels of financial stability. It is plausible that while individuals or entities may track their expenses meticulously, other factors such as income management, investment decisions, or external economic conditions may have a more pronounced impact on their overall financial stability. Therefore, financial institutions and policymakers should recognize that promoting financial stability requires a multifaceted approach that goes beyond solely focusing on expense tracking, encompassing broader aspects of financial management and economic resilience.

The significant path coefficient ( $\beta = 0.91$ ,  $p = 0.000$ ) from Budgeting Practices (BP) to Financial Stability (FS) underscores the critical importance of structured budgeting frameworks in fostering greater financial stability among respondents. This finding suggests that individuals or entities who actively engage in budgeting practices, including setting financial goals, monitoring expenses, and making informed financial decisions, are more likely to achieve a higher level of financial stability.

By adhering to a well-defined budget, individuals can effectively manage their resources, prioritize financial obligations, and build a stronger financial foundation to withstand economic uncertainties. Therefore, financial institutions and policymakers should prioritize initiatives aimed at promoting and enhancing budgeting practices among their clientele to cultivate greater financial resilience and well-being in the broader economy.

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
IM -> BP -> FS	0.54	0.005	Significant
ET -> BP -> FS	0.28	0.068	Not Significant

The significant indirect effect ( $\beta = 0.54$ ,  $p = 0.005$ ) of Income Management (IM) on Financial Stability (FS) through Budgeting Practices (BP) underscores the critical role of effective income management in shaping individuals' financial stability via the mediation of structured budgeting behaviors. This finding suggests that individuals or entities who proactively manage their income streams, including strategic allocation towards expenses, savings, and investments, are more likely to engage in disciplined budgeting practices. Consequently, by adhering to a well-defined budget, individuals can better control their financial resources, prioritize essential expenditures, and make informed financial decisions, ultimately leading to a higher level of financial stability. Therefore, financial institutions and policymakers should recognize the significance of income management in promoting financial stability and prioritize initiatives aimed at enhancing income management skills among their clientele to foster greater financial resilience and well-being.

The non-significant indirect effect ( $\beta = 0.28$ ,  $p = 0.068$ ) of Expense Tracking (ET) on Financial Stability (FS) through Budgeting Practices (BP) suggests that the impact of expense tracking on financial stability is not mediated by structured budgeting behaviors among the respondents. This finding implies that while diligent expense tracking is considered a fundamental aspect of effective financial management, it may not directly translate into improved financial stability through the adoption of formal budgeting frameworks. It is plausible that factors beyond expense tracking, such as income management, investment decisions, or external economic conditions, have a more pronounced influence on individuals' overall financial stability. Therefore, financial institutions

and policymakers should recognize the multifaceted nature of financial stability and implement comprehensive strategies that address various aspects of financial management to promote greater resilience and well-being among their clientele.

## CONCLUSION AND SUGGESTION

This research delved into the intricate dynamics of financial management practices, particularly focusing on the interplay between income management, expense tracking, budgeting practices, and financial stability among customers of Bank Sumut. The findings underscored the pivotal role of effective income management in fostering greater financial stability, both directly and indirectly through structured budgeting behaviors. While expense tracking was found to be important in its own right, its direct impact on financial stability through budgeting practices was not significant. These insights highlight the multifaceted nature of financial stability and underscore the importance of promoting comprehensive financial management strategies, with a particular emphasis on income management and budgeting practices, to enhance financial resilience and well-being among individuals and institutions. This research contributes valuable insights for financial institutions, policymakers, and individuals alike, providing guidance for fostering greater financial stability in an ever-evolving economic landscape.

## REFERENCES

- [1] M. Chaidir, G. Yulianti, S. Santoso, and C. Kumandang, "Financial Management Proficiency For MSMEs," *1st Proceeding Int. Conf. Bus. Econ.*, vol. 1, no. 2, pp. 285–293, 2023, [Online]. Available: <https://jurnal2.untagsmg.ac.id/index.php/icbe-untagsmg/article/view/1460>
- [2] S. Yalamati, S. Architect, and T. Services, "Impact of Artificial Intelligence in supervision of enterprises reduce tax," vol. 5, no. 5, 2024.
- [3] S. Bella, N. Apriyanti, and H. Sriwijayanti, "Enhancing Financial Management and Accountant Roles: A Study on the Role of Technological Advancements," *SEIKO J. Manag. Bus.*, vol. 6, no. 2, pp. 435–446, 2023, [Online]. Available: <https://www.journal.stieamkop.ac.id/index.php/seiko/article/view/4842>
- [4] Chidiogo Uzoamaka Akpuokwe, Chidinma Favour Chikwe, and Nkechi Emmanuella Eneh, "Leveraging technology and financial literacy for women's empowerment in SMEs: A conceptual framework for sustainable development," *Glob. J. Eng. Technol. Adv.*, vol. 18, no. 3, pp. 020–032, 2024, doi: 10.30574/gjeta.2024.18.3.0041.
- [5] D. Iverson, "Digital Transformation in

- Banking: Navigating the Technological Frontier Ravi,” *Highly Cited Journal*, vol. 4, no. 02, pp. 7823–7830, 2024.
- [6] K. Kedward, J. Ryan-Collins, and H. Chenet, “Biodiversity loss and climate change interactions: financial stability implications for central banks and financial supervisors,” *Clim. Policy*, vol. 23, no. 6, pp. 763–781, 2023, doi: 10.1080/14693062.2022.2107475.
- [7] K. F. Kubayevich, “Current Analysis and Current Issues of Ensuring the Financial Stability of the Banking System in Uzbekistan,” vol. 4, no. 3, pp. 169–176, 2024.
- [8] S. Aramonte, A. Schrimpf, and H. S. Shin, “Non-bank financial intermediaries and financial stability,” *Res. Handb. Financ. Mark.*, vol. 2021, no. 97, pp. 147–170, 2023, doi: 10.4337/9781800375321.00014.
- [9] S. G. Cecchetti, “The road to financial stability: Capital regulation, liquidity regulation, and resolution,” *Int. J. Cent. Bank.*, vol. 11, no. 3, pp. 127–139, 2020.
- [10] T. Eastern, E. Parliament, E. Parliament, and I. Conference, “Non-technical Summary,” vol. 2000, no. Igc, 2000.
- [11] B. Farrukh, I. Younis, and C. Longsheng, “The impact of natural resource management, innovation, and tourism development on environmental sustainability in low-income countries,” *Resour. Policy*, vol. 86, no. PB, p. 104088, 2023, doi: 10.1016/j.resourpol.2023.104088.
- [12] J. L. Howard, “Guaranteed Basic Income from the Perspective of Self-Determination Theory,” *J. Manag. Stud.*, 2024, doi: 10.1111/joms.13075.
- [13] N. S. Kubanza, “Analysing the challenges of solid waste management in low-income communities in South Africa: a case study of Alexandra, Johannesburg,” *South African Geogr. J.*, vol. 00, no. 00, pp. 1–21, 2024, doi: 10.1080/03736245.2024.2356563.
- [14] D. P. Broadbent, G. D’Innocenzo, T. J. Ellmers, J. Parsler, A. J. Szameitat, and D. T. Bishop, “Cognitive load, working memory capacity and driving performance: A preliminary fNIRS and eye tracking study,” *Transp. Res. Part F Traffic Psychol. Behav.*, vol. 92, no. November 2022, pp. 121–132, 2023, doi: 10.1016/j.trf.2022.11.013.
- [15] D. Fromm, “Insurance technopolitics: Car theft, recovery, and tracking systems in São Paulo,” *Secur. Dialogue*, vol. 54, no. 1, pp. 39–53, 2023, doi: 10.1177/09670106221141355.
- [16] C. Fu *et al.*, “Siamese object tracking for unmanned aerial vehicle: a review and comprehensive analysis,” *Artif. Intell. Rev.*, vol. 56, no. X, pp. 1417–1477, 2023, doi: 10.1007/s10462-023-10558-5.
- [17] K. Matsuoka and H. Tanaka, “Drive-by deflection estimation method for simple support bridges based on track irregularities measured on a traveling train,” *Mech. Syst. Signal Process.*, vol. 182, no. January 2022, p. 109549, 2023, doi: 10.1016/j.ymssp.2022.109549.
- [18] L. M. Wee *et al.*, “A trailing ribosome speeds up RNA polymerase at the expense of transcript fidelity via force and allostery,” *Cell*, vol. 186, no. 6, pp. 1244–1262.e34, 2023, doi: 10.1016/j.cell.2023.02.008.
- [19] L. Bartocci, G. Grossi, S. G. Mauro, and C. Ebdon, “The journey of participatory budgeting: a systematic literature review and future research directions,” *Int. Rev. Adm. Sci.*, vol. 89, no. 3, pp. 757–774, 2023, doi: 10.1177/00208523221078938.
- [20] J. M. Kinyanzii, “The Influence of Financial Management Practices on Financial Performance,” *Asian J. Account. Res.*, vol. 7, no. 2, pp. 260–267, 2020.
- [21] F. D. J. van Schaik, “Reconciliation of budgeting and accounting,” *Public Money Manag.*, vol. 43, no. 5, pp. 473–482, 2023, doi: 10.1080/09540962.2021.2000693.
- [22] K. M. Mang’ana, D. W. Ndyetabula, and S. J. Hokororo, “Financial management practices and performance of agricultural small and medium enterprises in Tanzania,” *Soc. Sci. Humanit. Open*, vol. 7, no. 1, p. 100494, 2023, doi: 10.1016/j.ssaho.2023.100494.
- [23] E. Sulasmi, I. Prasetya, and A. A. Rahman, “Government Policy Regarding Education Budget on The Posture of The State Budget (APBN),” *J. Lesson Learn. Stud.*, vol. 6, no. 1, pp. 142–151, 2023, doi: 10.23887/jlls.v6i1.60171.