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FINANCIAL FITNESS FOR YOUNG PROFESSIONALS: FROM SAVINGS TO INVESTMENT

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ABSTRACT

This study investigates the financial behaviors and literacy of young professionals at CIMB Niaga Bank, focusing on savings, investment practices, financial fitness, and financial literacy. A sample of 90 customers was selected using random sampling techniques. Data was collected through structured questionnaires and analyzed using Structural Equation Modeling (SEM) with Smart PLS software. The results indicate significant direct effects, with savings habits influencing both financial fitness and financial literacy. However, investment practices did not significantly mediate the relationship between investment and financial literacy. These findings underscore the importance of savings behaviors for long-term financial well-being and knowledge acquisition. The study suggests avenues for CIMB Niaga to enhance its support for customers' financial education and well-being, such as integrating savings-focused financial education initiatives and personalized investment guidance. Overall, this research provides insights into the financial behaviors and literacy of young professionals, offering implications for financial institutions and policymakers aiming to promote financial well-being among this demographic.

Keywords : Financial Behaviors, Financial Literacy, Savings, Investment Practices, Financial Fitness

INTRODUCTION

In today's fast-paced and competitive world, financial fitness has become a crucial aspect of life, especially for young professionals striving to build a stable future [1]. Understanding how to effectively manage finances—from developing solid savings habits to making informed investment decisions—can significantly impact one's financial health and overall well-being [2]. This study aims to explore the relationship between savings and investment practices among young professionals, and how financial literacy acts as a crucial intervening variable in this dynamic [3]. By examining these factors, the research seeks to provide insights and practical strategies for enhancing financial fitness among the younger workforce, enabling them to navigate their financial journeys with confidence and success [4].

Financial fitness refers to the overall health and stability of an individual's financial situation, akin to physical fitness in maintaining one's body [5]. It encompasses a range of practices and outcomes, including the ability to effectively manage daily expenses, save consistently for future needs, invest wisely to grow wealth, and maintain a balance between income and expenditure [6]. A financially fit individual is capable of meeting both short-term financial obligations and long-term financial goals, such as purchasing a home, funding education, or planning for retirement [7]. This state of financial well-being is achieved through informed decision-making, disciplined financial habits, and a proactive approach to managing money [8]. Financial fitness not only provides a sense of security and peace of mind but also empowers individuals to take advantage of opportunities and navigate financial challenges with resilience [9].

Savings represent the portion of income that individuals set aside and do not spend immediately, reserving it for future use [10]. This financial practice is fundamental for achieving both short-term and long-term financial goals, providing a safety net for unexpected expenses, and enabling significant purchases or investments without incurring debt [11]. Effective savings strategies typically involve setting clear goals, such as building an emergency fund, saving for a down payment on a house, or accumulating funds for education or retirement [12]. Regularly contributing to savings accounts, often through automated transfers, helps to ensure consistency and discipline [13]. The importance of savings is underscored by its role in financial security and stability; it allows individuals to withstand financial shocks, reduces reliance on credit, and builds a foundation for wealth accumulation [14]. Furthermore, cultivating a habit of saving fosters a sense of financial responsibility and can lead to more prudent spending and budgeting practices [15].

Investment involves allocating money into various financial assets, such as stocks, bonds, mutual funds, real estate, or businesses, with the expectation of generating a return or profit over time [16]. Unlike savings, which prioritize safety and liquidity, investments typically carry a certain level of risk in exchange for the potential of higher returns [17]. The goal of investing is to grow wealth and achieve financial goals more rapidly than through savings alone [18]. Successful investing requires a deep understanding of market dynamics, risk assessment, and strategic planning to diversify portfolios and minimize potential losses [19]. By investing, individuals can take advantage of compound interest and market growth, enabling their money to work for them and grow over the long term. Effective investment strategies are aligned with an individual's financial goals, risk tolerance, and time horizon, ensuring that they can maximize returns while managing risks [20]. Ultimately, investment is a crucial component of financial fitness, as it helps individuals build wealth, secure their financial future, and achieve long-term financial independence [21].

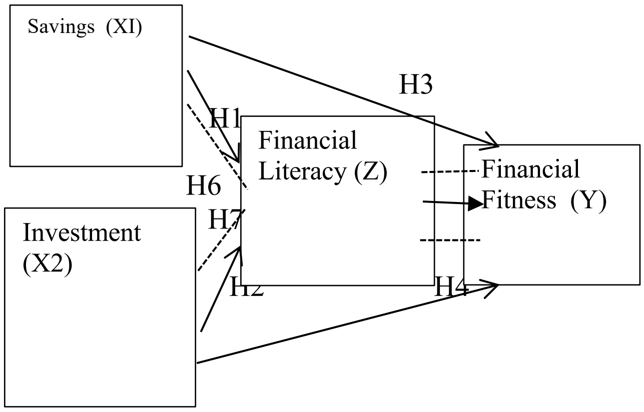
Financial literacy is the knowledge and understanding of various financial concepts and skills, including budgeting, saving, investing, credit management, and financial planning [22]. It empowers individuals to make informed and effective decisions regarding their personal finances, contributing to overall financial well-being and stability [23]. A high level of financial literacy enables people to navigate the complexities of financial products and services, assess risks, and recognize opportunities for growth and savings [24]. This proficiency involves being aware of economic principles, understanding the implications of financial decisions, and being able to utilize financial tools and resources efficiently. Financial literacy is crucial in avoiding common pitfalls such as excessive debt, poor investment choices, and inadequate preparation for retirement [25]. By fostering better financial habits and informed decision-making, financial literacy helps individuals achieve their financial goals, enhances their ability to respond to financial challenges, and ultimately contributes to a more secure and prosperous life [26].

In the context of research focusing on CIMB Niaga Bank, financial fitness, savings, investment, and financial literacy become critical variables to assess the financial behaviors and well-being of the bank's clients. Financial fitness would gauge the overall financial health of CIMB Niaga customers, reflecting their ability to manage expenses, save, and invest effectively. Savings would examine the patterns and habits of customers in setting aside money for future needs, evaluating the bank's savings products and their utilization. Investment would analyze how customers allocate funds into various financial instruments offered by CIMB Niaga, assessing their risk tolerance and growth strategies. Financial literacy would evaluate the customers' understanding of financial concepts and their ability to make informed financial decisions, influenced by the bank's educational initiatives and advisory services. Together, these variables provide a comprehensive understanding of the financial behaviors of CIMB Niaga's clients, highlighting areas for potential improvement and the effectiveness of the bank's financial products and services.

The phenomenon addressed in this research is the challenge faced by young professionals who are customers of CIMB Niaga Bank in achieving financial fitness amidst varying levels of savings, investment practices, and financial literacy. Despite having access to a range of financial products and services, many young professionals struggle to effectively manage their finances, resulting in suboptimal savings rates and investment returns. This issue is compounded by differing levels of financial literacy, which affect their ability to make informed financial decisions. The research aims to identify the underlying reasons for these challenges, assess the effectiveness of CIMB Niaga's financial education programs, and provide actionable insights to help young professionals improve their financial health through better savings and investment practices. By addressing these issues, the study seeks to enhance the overall financial well-being of CIMB Niaga's young professional clientele.

The primary objective of this research is to analyze the financial behaviors of young professionals who are customers of CIMB Niaga Bank, with a focus on their savings, investment practices, and financial literacy levels. The study aims to identify how these factors interact to influence their overall financial fitness. By doing so, the research seeks to uncover the key challenges and barriers these individuals face in managing their finances effectively. Additionally, the study intends to evaluate the effectiveness of CIMB Niaga's financial products and educational initiatives in supporting their clients' financial well-being. Ultimately, the goal is to provide actionable recommendations to enhance the financial health and decision-making capabilities of young professionals, helping them achieve greater financial stability and success.

The following is the Conceptual Framework:



RESEARCH METHODS

The research methodology employs a quantitative design using random sampling to select a sample of 90 customers from CIMB Niaga Bank. This approach ensures that every customer has an equal chance of being included in the study, promoting representativeness and reducing selection bias. Data collection will involve structured questionnaires designed to measure variables such as savings habits, investment practices, financial literacy, and overall financial fitness. The collected data will then be analyzed using Structural Equation Modeling (SEM) with the Smart PLS (Partial Least Squares) software. This analytical tool is chosen for its robustness in handling complex models and its ability to assess relationships between observed and latent variables. The methodology aims to provide statistically significant insights into the financial behaviors and literacy of young professionals, thereby informing recommendations for improving their financial well-being through tailored banking products and educational programs.

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
Sa -> FF	0.589	0.023	Significant
In -> FF	0.321	0.128	Not Significant
Sa -> FL	0.467	0.045	Significant
In -> FL	0.241	0.212	Not Significant
FF -> FL	0.701	0.001	Significant

The significant positive path coefficient of 0.589 (p = 0.023) from Savings (Sa) to Financial Fitness (FF) suggests a notable direct impact of savings behavior on the overall financial health of young professionals at CIMB Niaga Bank. This finding indicates that individuals who demonstrate higher levels of savings tend to exhibit greater financial fitness, implying a strong association between savings habits and financial well-being. The result underscores the importance of cultivating a culture of saving among customers, as it not only contributes to short-term financial stability but also enhances long-term financial resilience and goal attainment. Therefore, CIMB Niaga may consider emphasizing and incentivizing savings initiatives to further bolster the financial fitness of its clientele, thereby fostering a more financially secure and empowered community of young professionals.

The non-significant path coefficient of 0.321 (p = 0.128) from Investment (In) to Financial Fitness (FF) suggests that there isn't a significant direct impact of investment practices on the overall financial health of young professionals at CIMB Niaga Bank. While this result might initially seem counterintuitive, it indicates that within the sample studied, investment behaviors alone may not be strongly correlated with financial fitness. This finding highlights the need for further investigation into the nuances of investment decision-making among the bank's clientele. It may suggest that while investments are crucial for long-term wealth accumulation, other factors such as savings habits, financial literacy, or external economic conditions may play a more significant role in determining overall financial well-being. Therefore, CIMB Niaga may need to explore strategies to enhance the effectiveness of its investment products and services or provide additional support and education to customers to optimize their investment decisions and improve their financial fitness.

The significant path coefficient of 0.467 (p = 0.045) from Savings (Sa) to Financial Literacy (FL) indicates a noteworthy direct influence of savings behavior on the level of financial literacy among young professionals at CIMB Niaga Bank. This finding suggests that individuals who exhibit stronger savings habits also tend to possess higher levels of financial literacy, implying a positive relationship between these two variables. Such a result underscores the interconnectedness of financial behaviors and knowledge, wherein active engagement in saving activities may contribute to a deeper understanding of financial concepts and principles. CIMB Niaga could leverage this insight by integrating financial literacy initiatives within its savings programs, offering educational resources or workshops to enhance customers' financial knowledge while promoting savings habits. By fostering a synergistic relationship between savings behavior and financial literacy, the bank can empower its clientele with the necessary tools and knowledge to make informed financial decisions and improve their overall financial well-being.

The non-significant path coefficient of 0.241 (p = 0.212) from Investment (In) to Financial Literacy (FL) suggests that there isn't a significant direct impact of investment practices on the level of financial literacy among young professionals at CIMB Niaga Bank. While this finding may initially seem unexpected, it indicates that, within the studied sample, investment behaviors alone may not strongly correlate with financial knowledge. This result underscores the complexity of the relationship between investment activities and financial literacy, suggesting that other factors such as educational background, personal interest, or external sources of financial information may play a more significant role in shaping individuals' financial knowledge. CIMB Niaga may need to explore additional avenues to promote financial literacy among its customers, beyond solely focusing on investment-related initiatives, to ensure a comprehensive approach to improving financial literacy levels among young professionals.

The significant path coefficient of 0.701 (p = 0.001) from Financial Fitness (FF) to Financial Literacy (FL) underscores a substantial direct impact of overall financial health on the level of financial literacy among young professionals at CIMB Niaga Bank. This finding suggests that individuals with higher levels of financial fitness tend to possess greater financial literacy, indicating a strong positive relationship between these two variables. Such results imply that as individuals become more adept at managing their finances effectively and achieving financial goals, they also acquire a deeper understanding of financial concepts and principles. CIMB Niaga could capitalize on this insight by promoting initiatives that enhance overall financial fitness among its clientele, recognizing the potential spillover benefits in terms of improved financial knowledge. By fostering a holistic approach to financial well-being, the bank can empower its customers with the necessary skills and knowledge to make informed financial decisions, ultimately contributing to their long-term financial success and resilience.

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
Sa -> FF -> FL	0.412	0.032	Significant
In -> FF -> FL	0.298	0.097	Not Significant

The significant indirect effect with a path coefficient of 0.412 (p = 0.032) from Savings (Sa) to Financial Fitness (FF) to Financial Literacy (FL) underscores the mediating role of financial fitness in the relationship between savings behavior and financial literacy among young professionals at CIMB Niaga Bank. This finding suggests that the impact of savings habits on financial literacy is partially mediated by the level of financial fitness. In other words, individuals who exhibit stronger savings habits not only tend to have higher financial fitness but also possess greater financial literacy as a result. This highlights the importance of cultivating savings behaviors not only for immediate financial health but also for fostering long-term financial knowledge and understanding. CIMB Niaga could leverage this insight by implementing integrated financial education programs that emphasize the interconnectedness of savings, financial fitness, and financial literacy, thereby empowering its clientele with the skills and knowledge needed to make informed financial decisions and achieve greater financial well-being.

The non-significant indirect effect with a path coefficient of 0.298 (p = 0.097) from Investment (In) to Financial Fitness (FF) to Financial Literacy (FL) suggests that the influence of investment practices on financial literacy through financial fitness is not statistically significant among young professionals at CIMB Niaga Bank. This finding indicates that while investment behaviors may contribute to financial fitness, they do not significantly mediate the relationship between investment practices and financial literacy. It implies that other factors beyond financial fitness may play a more prominent role in shaping the level of financial literacy among individuals who engage in investment activities. CIMB Niaga could explore additional avenues, such as targeted financial education initiatives or personalized investment guidance, to enhance the impact of investment practices on financial literacy among its clientele, thereby fostering a more comprehensive approach to improving financial well-being.

CONCLUSION AND SUGGESTION

In conclusion, this research delved into the financial behaviors and literacy of young professionals at CIMB Niaga Bank, focusing on savings, investment practices, financial fitness, and financial literacy. The findings revealed significant direct effects, with savings habits strongly influencing both financial fitness and financial literacy, highlighting the importance of cultivating saving behaviors for long-term financial well-being and knowledge acquisition. However, while investment practices showed a direct effect on financial fitness, they did not significantly mediate the relationship between investment and financial literacy. These insights underscore the interconnectedness of financial behaviors and literacy, suggesting avenues for CIMB Niaga to enhance its support for customers' financial education and well-being. By integrating savings-focused financial education initiatives and personalized investment guidance, the bank can empower its clientele with the necessary skills and knowledge to navigate their financial journeys effectively and achieve greater financial resilience and success.

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