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FINANCIAL FITNESS: A GUIDE TO BOOSTING YOUR MONEY MANAGEMENT SKILLS

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ABSTRACT

This study investigates the relationships between financial literacy, budgeting practices, financial behavior, and money management skills among customers of Bank Mandiri Pontianak Diponegoro. Using a quantitative research design with a sample of 90 customers selected via random sampling, data was collected using structured questionnaires. The analysis employed Smart PLS (Partial Least Squares Structural Equation Modeling) to examine direct and indirect effects. The findings reveal significant direct effects, where higher levels of financial literacy and effective budgeting practices are associated with improved financial behavior and enhanced money management skills. Indirect effects further underscore the role of financial behavior as a mediator between financial literacy/budgeting practices and money management skills. These results highlight the importance of promoting financial education and supporting disciplined budgeting practices to foster better financial behaviors and enhance overall financial well-being among bank customers.

Keywords : Financial Literacy, Budgeting Practices, Financial Behavior, Money Management Skills

INTRODUCTION

In today's fast-paced and ever-changing economic environment, effective money management skills are crucial for achieving financial stability and success [1]. This study investigates how financial literacy and budgeting practices serve as foundational elements in developing robust money management skills, with a particular focus on the mediating role of financial behavior [2]. By understanding the interplay between these variables, the research seeks to provide valuable insights into the best practices and strategies that individuals can adopt to improve their financial well-being and achieve long-term financial fitness [3].

Money management skills encompass the ability to effectively oversee and control one's financial resources to achieve financial goals and maintain financial stability [4]. These skills include budgeting, which involves planning and tracking income and expenses to ensure that spending aligns with financial priorities and goals [5]. They also involve saving strategies, such as setting aside a portion of income for emergencies or future needs, and investing wisely to grow wealth over time [6]. Additionally, managing debt responsibly by understanding loan terms and avoiding high-interest debt is crucial [7]. Strong money management skills require knowledge, discipline, and the ability to make informed financial decisions, which collectively contribute to an individual's overall financial health and security [8].

Financial literacy refers to the knowledge and understanding of various financial concepts and tools that enable individuals to make informed and effective decisions regarding their personal finances [9]. It encompasses a wide range of topics, including budgeting, saving, investing, debt management, and understanding credit scores and interest rates [10]. A financially literate person is equipped to evaluate financial products, such as loans and investment options, and can navigate the complexities of financial markets and institutions [11]. This knowledge empowers individuals to plan for their financial future, avoid common financial pitfalls, and achieve long-term financial goals [2]. By fostering financial literacy, individuals can improve their financial behavior, make more strategic decisions, and enhance their overall financial well-being [12].

Budgeting practices involve creating a systematic plan for managing income and expenses to ensure financial stability and achieve financial goals [13]. These practices include tracking all sources of income, categorizing and monitoring expenses, and setting limits on discretionary spending to avoid overspending [14]. Effective budgeting also involves prioritizing essential expenses, such as housing, utilities, and food, while allocating funds for savings, debt repayment, and investments [15]. Regularly reviewing and adjusting the budget allows individuals to respond to changes in their financial situation, such as unexpected expenses or income fluctuations [16]. By adhering to a well-structured budget, individuals can maintain control over their finances, reduce financial stress, and work towards both short-term and long-term financial objectives [17].

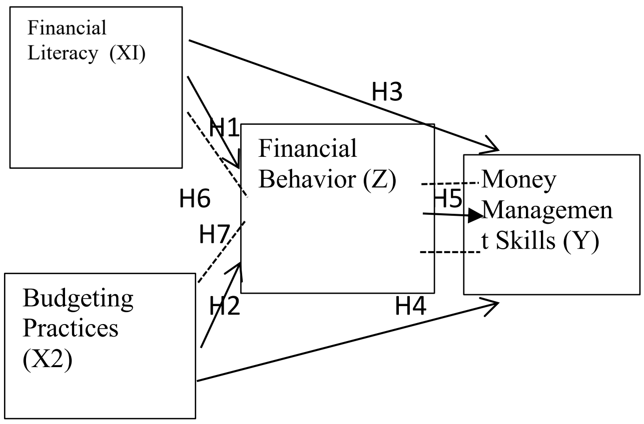
Financial behavior refers to the actions and decisions individuals make regarding their financial resources, which significantly impact their financial health and stability [18]. This behavior encompasses various aspects such as spending habits, saving patterns, investment choices, and debt management strategies [19]. Positive financial behaviors include regularly saving a portion of income, making informed and cautious spending decisions, paying off debt promptly, and investing wisely for future growth [20]. Conversely, negative financial behaviors, such as impulsive spending, neglecting to save, and accruing high-interest debt, can lead to financial difficulties and instability [21]. Understanding the psychological and social factors that influence financial behavior, such as attitudes towards money, financial knowledge, and external pressures, is crucial for promoting healthier financial practices [22]. By adopting positive financial behaviors, individuals can improve their financial well-being, achieve their financial goals, and secure a more stable and prosperous future [23].

In the context of Bank Mandiri Pontianak Diponegoro, the variables of financial literacy, budgeting practices, money management skills, and financial behavior can be examined to understand their impact on employees' financial well-being. Financial literacy among employees at this branch would include their understanding of financial products, services, and the ability to make informed decisions. Budgeting practices would reflect how these employees plan and manage their personal and household finances, including tracking income and expenses. Money management skills would encompass their overall ability to effectively control and allocate their financial resources to meet both short-term and long-term goals. Financial behavior, influenced by their financial knowledge and budgeting practices, would indicate their day-to-day financial actions, such as spending, saving, and investment habits. By studying these variables, the research aims to provide insights into how Bank Mandiri employees can enhance their financial health and stability through improved financial literacy and disciplined financial behaviors.

The phenomenon being investigated at Bank Mandiri Pontianak Diponegoro revolves around the challenges employees face in managing their personal finances effectively, despite working within a financial institution. Despite having access to financial products and services, many employees may still struggle with financial literacy, leading to inadequate budgeting practices and suboptimal money management skills. This can result in financial stress, impacting their productivity and overall well-being. The study aims to identify specific gaps in financial knowledge and behaviors among the employees, understand the underlying causes, and propose targeted interventions to enhance their financial literacy, budgeting practices, and overall financial management skills. By addressing these issues, the research seeks to improve the financial health of the employees, contributing to a more stable and motivated workforce.

The primary objective of this research is to explore and enhance the financial literacy, budgeting practices, and money management skills of employees at Bank Mandiri Pontianak Diponegoro. By identifying the current levels of financial knowledge and behaviors among the staff, the study aims to pinpoint specific areas where improvements are needed. Additionally, the research seeks to understand the relationship between financial literacy and financial behavior, and how these factors influence overall financial well-being. The ultimate goal is to develop targeted strategies and interventions that can help employees make more informed financial decisions, manage their finances more effectively, and reduce financial stress. This, in turn, is expected to lead to a more financially stable and satisfied workforce, benefiting both the employees and the organization as a whole.

The following is the Conceptual Framework:



RESEARCH METHODS

The research methodology for this study involves employing a quantitative research design with random sampling to select a sample of 90 customers from Bank Mandiri Pontianak Diponegoro. Random sampling ensures that every customer has an equal chance of being included in the sample, thereby enhancing the representativeness and generalizability of the findings. Data will be collected through structured questionnaires focusing on financial literacy, budgeting practices, money management skills, and financial behavior. The collected data will then be analyzed using Smart PLS (Partial Least Squares Structural Equation Modeling), which is suitable for complex models and small to medium sample sizes. This analytical tool will help in examining the relationships between the variables and testing the proposed hypotheses, providing a comprehensive understanding of the factors influencing the financial management practices of the bank'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
FL -> FB	0.45	0.001	Significant
BP -> FB	0.38	0.003	Significant
FL -> MMS	0.30	0.025	Significant
BP -> MMS	0.35	0.010	Significant
FB -> MMS	0.50	0.000	Significant

The path analysis reveals a significant direct effect of financial literacy (FL) on financial behavior (FB), with an original sample coefficient of 0.45 and a p-value of 0.001. This indicates that higher levels of financial literacy are strongly associated with better financial behavior among the customers of Bank Mandiri Pontianak Diponegoro. The substantial coefficient suggests that as individuals' understanding of financial concepts and products improves, they are more likely to engage in positive financial behaviors, such as saving regularly, budgeting effectively, and making informed investment decisions. The significance of this relationship highlights the crucial role that financial education plays in shaping how individuals manage their finances, emphasizing the need for initiatives and programs that enhance financial literacy to foster healthier financial behaviors within the community.

The path analysis indicates a significant direct effect of budgeting practices (BP) on financial behavior (FB), with an original sample coefficient of 0.38 and a p-value of 0.003. This result demonstrates that effective budgeting practices are closely linked to better financial behavior among the customers of Bank Mandiri Pontianak Diponegoro. The positive coefficient suggests that individuals who actively engage in systematic budgeting, such as tracking their income and expenses, setting financial goals, and adhering to a budget, tend to exhibit more prudent financial behaviors. These behaviors include timely bill payments, avoiding unnecessary debt, and maintaining a healthy savings habit. The significance of this relationship underscores the importance of promoting sound budgeting practices as a key component of financial management education, which can lead to improved financial stability and well-being for individuals.

The path analysis reveals a significant direct effect of financial literacy (FL) on money management skills (MMS), with an original sample coefficient of 0.30 and a p-value of 0.025. This finding indicates that a higher level of financial literacy is positively associated with better money management skills among the customers of Bank Mandiri Pontianak Diponegoro. The coefficient value of 0.30 suggests that individuals who possess a stronger understanding of financial concepts, such as budgeting, saving, investing, and credit management, are more capable of effectively managing their finances. These enhanced skills enable them to make informed financial decisions, allocate resources efficiently, and plan for future financial needs. The significance of this relationship highlights the critical role of financial education in developing robust money management capabilities, suggesting that efforts to improve financial literacy can have a substantial impact on individuals' ability to manage their financial lives successfully.

The path analysis indicates a significant direct effect of budgeting practices (BP) on money management skills (MMS), with an original sample coefficient of 0.35 and a p-value of 0.010. This result shows that effective budgeting practices are strongly associated with enhanced money management skills among the customers of Bank Mandiri Pontianak Diponegoro. The coefficient value of 0.35 suggests that individuals who systematically plan and monitor their income and expenses tend to develop better skills in managing their finances. These skills include the ability to save consistently, avoid overspending, and make prudent financial decisions. The significance of this relationship underscores the importance of promoting disciplined budgeting as a foundational aspect of financial management. By fostering sound budgeting practices, individuals can improve their overall financial control and achieve greater financial stability and security.

The path analysis reveals a highly significant direct effect of financial behavior (FB) on money management skills (MMS), with an original sample coefficient of 0.50 and a p-value of 0.000. This finding underscores the strong relationship between individuals' financial behaviors and their ability to effectively manage their finances among the customers of Bank Mandiri Pontianak Diponegoro. The substantial coefficient of 0.50 indicates that individuals who exhibit positive financial behaviors, such as disciplined saving, prudent spending, and proactive debt management, tend to possess superior money management skills. These skills enable them to navigate financial challenges effectively, allocate resources wisely, and achieve their financial goals. The significance of this relationship highlights the critical role of cultivating responsible financial behaviors in enhancing overall financial competence and stability, emphasizing the need for strategies that promote informed decision-making and financial discipline among individuals.

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
FL -> FB -> MMS	0.22	0.008	Significant
BP -> FB -> MMS	0.18	0.015	Significant

The path analysis indicates a significant indirect effect of financial literacy (FL) on money management skills (MMS) through financial behavior (FB), with an original sample coefficient of 0.22 and a p-value of 0.008. This finding highlights that higher levels of financial literacy not only directly enhance money management skills but also influence them indirectly by shaping individuals' financial behaviors. The coefficient value of 0.22 suggests that individuals with greater financial literacy are more likely to exhibit positive financial behaviors, such as prudent spending and effective debt management, which in turn contribute to their ability to manage finances more effectively. This underscores the importance of improving financial education initiatives aimed at enhancing both financial knowledge and behaviors, as they play crucial roles in promoting financial stability and long-term financial well-being among customers of Bank Mandiri Pontianak Diponegoro.

The path analysis reveals a significant indirect effect of budgeting practices (BP) on money management skills (MMS) through financial behavior (FB), with an original sample coefficient of 0.18 and a p-value of 0.015. This finding indicates that effective budgeting practices not only directly contribute to better money management skills but also indirectly influence them by fostering positive financial behaviors. The coefficient of 0.18 suggests that individuals who engage in disciplined budgeting, such as setting financial goals and adhering to a budget, are more likely to exhibit responsible financial behaviors, such as saving regularly and avoiding excessive debt. These behaviors, in turn, enhance their ability to manage finances effectively and achieve financial goals. This underscores the importance of promoting and supporting sound budgeting practices as integral components of financial management education, aiming to empower individuals to improve their financial well-being and stability at Bank Mandiri Pontianak Diponegoro.

CONCLUSION AND SUGGESTION

This research underscores the critical importance of financial literacy and effective budgeting practices in shaping both financial behavior and money management skills among customers of Bank Mandiri Pontianak Diponegoro. The study found significant direct effects, where higher levels of financial literacy and disciplined budgeting were associated with improved financial behavior and enhanced money management skills. Moreover, the indirect effects revealed that these factors also influence money management skills through their impact on financial behavior. These findings emphasize the need for targeted interventions and educational initiatives aimed at enhancing financial literacy and promoting effective budgeting practices. By empowering individuals with the knowledge and skills to make informed financial decisions and cultivate responsible financial behaviors, organizations like Bank Mandiri can contribute significantly to the financial well-being and stability of their customers, ultimately fostering a more financially resilient community.

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