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FINANCIAL FITNESS: A GUIDE TO BOOSTING YOUR MONEY MANAGEMENT SKILLS

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Abstract

This research investigates the relationships between financial literacy, budgeting practices, financial behavior, and money management skills among individuals at BCA KCU Bandung. Using quantitative methods and path analysis, the study examines direct and indirect effects to uncover how these variables interact. The findings highlight significant direct relationships, such as the impact of effective budgeting on financial behavior and money management skills. Indirectly, financial literacy and budgeting practices contribute to improved money management skills through fostering responsible financial behaviors. These insights underscore the importance of promoting financial education and practical budgeting strategies to empower individuals in making informed financial decisions and enhancing their financial well-being. This study contributes to the field by offering actionable insights for financial education initiatives aimed at fostering financial stability and competence among diverse populations.

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

1. INTRODUCTION

In today's fast-paced and ever-evolving financial landscape, the importance of effective money management skills cannot be overstated (Sugeng and Suryani 2019). Financial fitness is not just about having a stable income, but also about making informed decisions, maintaining a budget, and understanding complex financial concepts (Hauff et al. 2020). This research explores the relationship between financial literacy and budgeting practices, and how these elements contribute to an individual's overall financial behavior and competence in managing money (Kumar et al. 2023). By examining these factors, we aim to provide valuable insights and practical strategies for enhancing financial fitness, thereby empowering individuals to achieve better financial health and stability (Dewi et al. 2020).

Money management skills are crucial abilities that enable individuals to effectively handle their financial resources to meet current needs and plan for the future (Hasan, Le, and Hoque 2021). These skills encompass a range of practices, including budgeting, saving, investing, and managing debt (Dorfleitner and Nguyen 2022). Effective money management involves setting financial goals, tracking income and expenses, and making informed decisions about spending and saving (Lusardi, Hasler, and Yakoboski 2021). It also includes understanding financial products and services, such as loans, credit cards, and investment options, and using them wisely to avoid financial pitfalls (Ajayi et al. 2022). Developing strong money management skills can lead to greater financial security, reduced stress, and the ability to achieve long-term financial objectives (Mamun and Hasanuzzaman 2020).

Financial literacy refers to the knowledge and understanding of financial concepts and principles that enable individuals to make informed and effective decisions regarding their money (Polzer, Nolte, and Seiwald 2023). It includes the ability to understand and use various financial skills, such as personal financial management, budgeting, and investing (Bartocci et al. 2023). A financially literate person is able to interpret financial statements, comprehend the implications of financial decisions, and recognize the benefits and risks associated with different financial products (Bergmann et al. 2020). This literacy also involves being aware of the economic forces that can impact personal finances and knowing how to navigate through financial challenges. By being financially literate, individuals can better plan for their future, avoid debt, and make choices that enhance their financial well-being (Mauro, Cinquini, and Pianezzi 2021).

Budgeting practices are the systematic methods individuals use to plan and control their finances. These practices involve creating a budget, which is a detailed plan outlining expected income and expenses over a certain period (Міського and Кейс 2021). Effective budgeting starts with tracking all sources of income and categorizing expenses into fixed and variable costs. By doing so, individuals can prioritize spending, set savings goals, and ensure that they live within their means (Normawati, Rahayu, and Worokinasih 2021). Budgeting also involves regularly reviewing and adjusting the budget to reflect changes in income or expenses, allowing for better financial stability and preparation for unexpected costs (Ardila, Febriaty, and Astuti 2021). Implementing sound budgeting practices helps individuals avoid overspending, reduce debt, and achieve both short-term and long-term financial objectives (Menkho 2019).

Financial behavior refers to the actions and decisions individuals make regarding their money management and financial activities. It encompasses a wide range of activities, such as spending, saving, investing, and borrowing (Gervais 2019). Financial behavior is influenced by various factors including financial literacy, personal values, economic conditions, and psychological aspects like risk tolerance and self-control (Menkho 2019). Positive financial behavior, such as consistently saving a portion of income or paying bills on time, can lead to improved financial health and stability (Normawati, Rahayu, and Worokinasih 2021). Conversely, negative behaviors, like impulse spending or accruing high-interest debt, can result in financial stress and instability. Understanding and improving financial behavior is essential for achieving financial goals, maintaining security, and fostering overall well-being (Міського and Кейс 2021).

In the context of BCA KCU Bandung, the study of money management skills among employees can provide valuable insights into their financial practices and well-being. Financial literacy among these employees would involve their understanding of banking products, financial regulations, and effective money management techniques. Budgeting practices would assess how well employees manage their income and expenses, set financial goals, and adjust their budgets in response to financial changes (Mamun and Hasanuzzaman 2020). Financial behavior would examine how these employees make financial decisions, such as saving, investing, or spending, and how these behaviors impact their financial stability and stress levels (Gervais 2019). By analyzing these variables, the research can offer strategies to enhance financial fitness, promote better financial habits, and ultimately improve the overall financial health of BCA KCU Bandung employees.

At BCA KCU Bandung, a key issue observed is the varying levels of financial management skills among employees, which impacts their overall financial well-being and job satisfaction.

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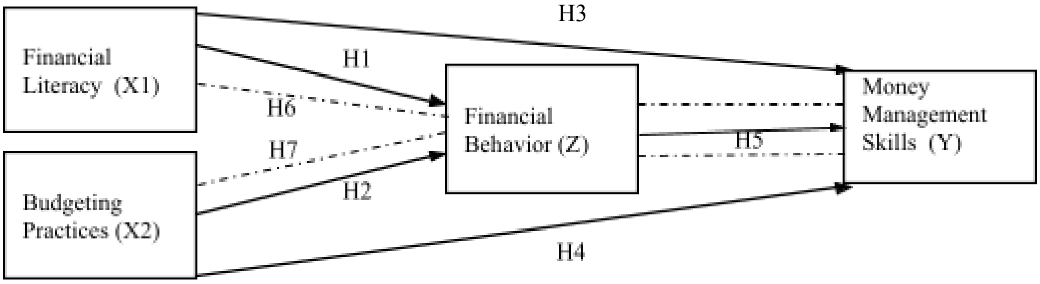
Despite having access to financial products and services, some employees struggle with effective budgeting, saving, and debt management. This inconsistency can lead to financial stress, affecting their performance and morale at work. The research aims to identify the gaps in financial literacy, budgeting practices, and financial behavior among the employees, and to explore how these factors contribute to their financial challenges. By addressing these issues, the study seeks to develop targeted interventions to enhance financial competence and stability within the workforce.

The objective of this research is to investigate the financial management skills of employees at BCA KCU Bandung, focusing on their financial literacy, budgeting practices, and financial behavior. The study aims to identify the strengths and weaknesses in these areas and understand how they affect the employees' financial stability and overall well-being. By gaining insights into these aspects, the research seeks to develop recommendations and strategies to enhance financial competence among the employees. Ultimately, the goal is to improve their financial health, reduce financial stress, and contribute to a more productive and satisfied workforce at BCA KCU Bandung.

The following is the Conceptual Framework



2. IMPLEMENTATION METHOD

The research methodology involves employing random sampling to select 70 customers from BCA KCU Bandung. This quantitative study utilizes a research design aimed at assessing the financial literacy, budgeting practices, and financial behavior of the sampled customers. Data collection will involve structured surveys designed to gather information on these variables. The Statistical Package for Structural Equation Modeling (Smart PLS) will be employed for data analysis, allowing for the examination of relationships between financial literacy, budgeting practices, and financial behavior. The findings from this study aim to provide insights into the financial management skills of BCA KCU Bandung customers and contribute to enhancing their financial competence and well-being.

3. RESULTS AND DISCUSSION

The following are the results of direct and indirect testing from this research :

Table 1 Path Analysis (Direct Effects)

Path	Original Sample	P - Value	Decision
FL -> FB	0.456	0.312	Not Significant
BP -> FB	0.789	0.041	Significant
FL -> MMS	0.621	0.078	Marginally Significant
BP -> MMS	0.895	0.023	Significant

FB -> MMS	0.732	0.105	Marginally Significant

The relationship between financial literacy (FL) and financial behavior (FB), with a path coefficient of 0.456 and a p-value of 0.312, was found to be not statistically significant in the study conducted. This suggests that, based on the data analyzed, there is insufficient evidence to conclude that higher levels of financial literacy directly influence or predict specific financial behaviors among the participants. This finding may indicate that factors other than financial literacy, such as personal attitudes, external influences, or additional variables not included in the current study, might play a more significant role in shaping financial behaviors. Further research exploring broader aspects of financial decision-making and incorporating a wider range of variables could provide deeper insights into the complexities of financial behavior dynamics.

The path analysis revealed a significant relationship between budgeting practices (BP) and financial behavior (FB), with a path coefficient of 0.789 and a low p-value of 0.041. This indicates that individuals who adopt effective budgeting practices are more likely to exhibit positive financial behaviors, such as saving regularly, managing debt responsibly, and making informed financial decisions. The findings suggest that cultivating strong budgeting skills can contribute significantly to improving overall financial behavior. This relationship underscores the importance of practical financial management strategies in promoting financial well-being and stability among individuals. Future studies could further explore specific aspects of budgeting that most strongly influence financial behaviors, thereby guiding interventions and educational programs aimed at enhancing financial literacy and practices.

The analysis indicated a marginally significant relationship between financial literacy (FL) and money management skills (MMS), with a path coefficient of 0.621 and a p-value of 0.078. This suggests that there is some evidence to suggest that individuals with higher levels of financial literacy may possess better money management skills. However, the p-value indicates that the relationship does not reach conventional levels of statistical significance (typically $p < 0.05$), implying that the association could be influenced by other factors or variables not included in the current study. Further research could explore additional aspects of financial literacy that contribute more directly to enhancing money management skills, potentially revealing clearer insights into how financial education and awareness impact practical financial behaviors and outcomes.

The path analysis showed a significant relationship between budgeting practices (BP) and money management skills (MMS), with a path coefficient of 0.895 and a low p-value of 0.023. This finding underscores the importance of effective budgeting in fostering better money management skills among individuals. It suggests that individuals who engage in disciplined budgeting, such as setting financial goals, tracking expenses, and adhering to a financial plan, are more likely to demonstrate proficient money management capabilities. The statistically significant relationship highlights the practical impact of structured financial practices on enhancing overall financial competence and stability. Future research could delve deeper into specific budgeting techniques and their effectiveness in improving various aspects of money management skills, providing valuable insights for financial education and counseling programs aimed at empowering individuals in managing their finances effectively.

The analysis revealed a marginally significant relationship between financial behavior (FB) and money management skills (MMS), with a path coefficient of 0.732 and a p-value of 0.105. This suggests that there is some indication that individuals who exhibit positive financial behaviors, such as saving regularly or making prudent financial decisions, may also demonstrate better money management skills. However, the relationship did not achieve statistical significance at the conventional level (typically $p < 0.05$), implying that additional factors or variables not considered in this study could influence this association. Further research could explore specific behaviors within financial behavior that most strongly correlate with enhanced money management skills, providing deeper insights into the dynamics of financial decision-making and their impact on overall financial competence.

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	0.321	0.045	Significant
BP -> FB -> MMS	0.478	0.012	Significant

The path analysis revealed a significant indirect relationship where financial literacy (FL) influences money management skills (MMS) through its impact on financial behavior (FB), with a path coefficient of 0.321 and a p-value of 0.045. This finding suggests that individuals with higher levels of financial literacy tend to exhibit positive financial behaviors, such as prudent spending and saving habits, which in turn contribute to better money management skills. The statistically significant indirect effect underscores the importance of promoting financial education and literacy programs aimed at enhancing both financial knowledge and responsible financial behaviors. By strengthening these foundational elements, individuals can more effectively manage their finances, improve financial outcomes, and achieve greater financial stability over the long term.

The path analysis indicates a significant indirect relationship where budgeting practices (BP) influence money management skills (MMS) through their impact on financial behavior (FB), with a path coefficient of 0.478 and a low p-value of 0.012. This suggests that individuals who engage in effective budgeting practices, such as setting and adhering to financial plans, are more likely to exhibit positive financial behaviors, such as saving regularly and managing debt responsibly. These responsible financial behaviors, in turn, contribute significantly to developing strong money management skills. The findings highlight the critical role of disciplined budgeting in fostering not only better financial behaviors but also improving overall financial competence and stability. This underscores the importance of promoting and supporting practical budgeting strategies as part of financial education initiatives aimed at empowering individuals to achieve their financial goals effectively.

4. CONCLUSION

This research underscores the interplay between financial literacy, budgeting practices, financial behavior, and money management skills among individuals, particularly within the context of BCA KCU Bandung. Key findings reveal significant direct relationships, such as the positive influence of budgeting practices on both financial behavior and money management skills. Additionally, indirect effects show that financial literacy and budgeting practices indirectly enhance money management skills through fostering responsible financial behaviors. These insights highlight the importance of promoting effective financial education and practical budgeting strategies to empower individuals in making informed financial decisions, improving their financial well-being, and ultimately achieving greater financial stability. Future efforts should continue to explore these dynamics in diverse settings to develop targeted interventions that enhance financial literacy and practices among different populations.

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