



The Psychology of Saving : How Mindset Impacts Financial Competence

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ABSTRACT

This study investigates the dynamics of financial competence among customers and employees of Bank BNI, focusing on the roles of mindset, saving behavior, and financial knowledge. Using a quantitative research design with a sample size of 100 participants selected through random sampling, data were analyzed using Smart PLS for path analysis. The findings reveal significant direct relationships: mindset positively influences both financial knowledge (FK) and financial competence (FC), while saving behavior directly enhances FC. Additionally, indirect effects show that both mindset and saving behavior contribute to FC through their positive impacts on FK. These results highlight the critical importance of psychological factors and proactive financial behaviors in shaping individuals' financial capabilities. For Bank BNI, promoting a positive financial mindset and supporting disciplined saving practices could effectively enhance financial literacy and decision-making among stakeholders. Future research could explore additional variables and interventions to further refine strategies for fostering financial competence across diverse demographic groups.

Keywords: *Financial Competence, Mindset, Saving Behavior, Financial Knowledge.*

INTRODUCTION

In today's complex financial landscape, the psychology of saving has emerged as a critical area of study, highlighting how mindset significantly impacts financial competence (Mataloto, Ferreira, and Resende 2023). Understanding the factors that drive individuals to save, and how their perceptions and attitudes towards money influence their financial decisions, is crucial for fostering better financial habits (Damayanti et al. 2023). This research explores the relationship between mindset and financial competence, emphasizing how positive saving behaviors and robust financial knowledge can serve as mediating factors (Rahmawati 2024). By examining these psychological and behavioral elements, this study aims to provide insights into effective strategies for enhancing financial literacy and promoting long-term financial stability (Wang et al. 2023).

Financial competence encompasses an individual's ability to effectively manage and make informed decisions regarding their financial resources (Giannelis et al. 2023). It includes a range of skills and knowledge, such as budgeting, saving, investing, and understanding credit (Ansari et

al. 2023). A financially competent person is adept at planning for both short-term and long-term financial goals, avoiding excessive debt, and utilizing financial tools and products wisely (Setyowati 2023). This competence is not merely about the ability to handle money, but also about understanding the broader economic environment and how it affects personal finances (Kumar et al. 2023). Developing financial competence involves continuous learning and adapting to changing financial landscapes, ensuring that individuals can navigate economic challenges and opportunities with confidence and prudence (Kumar et al. 2023).

Mindset, particularly in the context of financial psychology, refers to the set of beliefs and attitudes that shape an individual's approach to money management and financial decision-making (Rahman et al. 2023). A growth mindset, characterized by the belief that skills and intelligence can be developed through effort and learning, often leads to proactive financial behaviors such as saving and investing (Buchanan 2024). Conversely, a fixed mindset, which views abilities as static and unchangeable, can result in financial inertia and poor money management. Mindset influences how people perceive financial challenges and opportunities; those with a positive, growth-oriented mindset are more likely to seek financial education, set realistic goals, and persist in the face of setbacks (Crum et al. 2023). Understanding and cultivating a healthy financial mindset is essential for improving overall financial competence and achieving long-term financial well-being (Burnette et al. 2023).

Saving behavior refers to the actions and habits individuals adopt to set aside a portion of their income for future use, reflecting their ability to prioritize long-term financial security over immediate consumption (Buchanan and April 2024). This behavior is influenced by various factors, including financial knowledge, mindset, and external economic conditions (Arslan and Wong 2023). Effective saving behavior involves regular and disciplined contributions to savings accounts or investment vehicles, setting specific financial goals, and maintaining a budget to manage expenses (Jonker 2023). It also encompasses the psychological aspects of delayed gratification and self-control, where individuals resist the temptation of short-term spending in favor of long-term benefits (Zhang et al. 2023). Cultivating positive saving behavior is essential for building financial resilience, enabling individuals to handle emergencies, plan for major life events, and achieve financial independence (Huseynli 2024).

Financial knowledge is the understanding and awareness of financial principles, concepts, and products that enable individuals to make informed and effective decisions regarding their money (Furrebøe, Nyhus, and Musau 2023). This encompasses a wide array of topics, including budgeting, saving, investing, credit management, and retirement planning (Soukotta et al. 2022). A solid foundation of financial knowledge empowers individuals to evaluate financial opportunities and risks, understand the implications of their financial choices, and navigate the complexities of the financial system (Mpaata 2021). It also includes staying informed about economic trends and changes in financial regulations that may impact personal finances (Arab 2023). By enhancing financial knowledge, individuals can improve their financial competence, adopt better financial

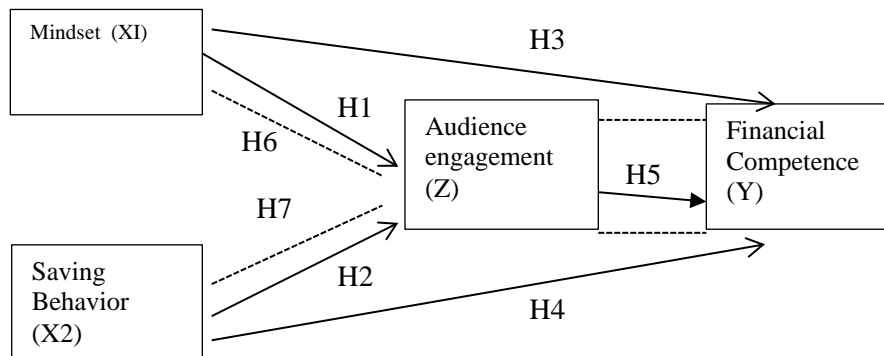
habits, and ultimately achieve greater financial stability and security (Wahyuni, Aspan, and Mauliza 2023).

In a study conducted at Bank BNI, the variables can be contextualized to examine the financial behaviors and competence of the bank's customers and employees. Financial competence, the dependent variable, reflects the ability of individuals to effectively manage their financial resources, crucial for both personal financial health and the bank's overall financial stability (Goyal, Kumar, and Hoffmann 2023). Independent variables such as mindset and saving behavior are pivotal; a positive financial mindset among customers and employees can lead to disciplined saving behaviors, contributing to financial security and investment growth (Lusardi and Mitchell 2023). Financial knowledge acts as an intervening variable, bridging the gap between mindset and financial competence (Sinnewe and Nicholson 2023). Enhanced financial education provided by Bank BNI can empower customers and employees to make informed decisions, optimize their savings, and increase their overall financial competence, benefiting both the individuals and the institution.

In the context of Bank BNI, a significant research issue is the varying levels of financial competence among its customers and employees, which directly impact financial stability and growth. Despite the availability of financial products and services, many individuals struggle with effective money management, influenced by their mindset and saving behaviors. A lack of financial knowledge exacerbates this problem, leading to poor financial decisions and inadequate savings. This phenomenon not only affects individual financial health but also poses a challenge for the bank in terms of customer retention and financial product utilization. Addressing these issues through targeted financial education and fostering a positive financial mindset can enhance overall financial competence, benefiting both Bank BNI and its stakeholders.

The primary objective of this research article is to explore the relationship between mindset, saving behavior, and financial knowledge, and how these factors collectively influence financial competence among customers and employees at Bank BNI. By investigating these variables, the study aims to identify key psychological and behavioral drivers that affect financial decision-making and savings practices. Ultimately, the goal is to provide actionable insights and recommendations for Bank BNI to enhance financial education programs, promote a positive financial mindset, and improve the overall financial competence of its stakeholders. This, in turn, can lead to better financial outcomes for individuals and contribute to the bank's growth and stability.

The following is the Conceptual Framework:



Picture 1. Conceptual Framework

RESEARCH METHODS

The research methodology for this study at Bank BNI employs a quantitative research design using random sampling to select a sample of 100 customers. This approach ensures that each customer has an equal chance of being included in the sample, thereby enhancing the representativeness and generalizability of the findings. Data collection will involve structured questionnaires designed to assess variables such as financial competence, mindset, saving behavior, and financial knowledge. The collected data will be analyzed using Smart PLS (Partial Least Squares Structural Equation Modeling), a robust analytical tool that allows for the examination of complex relationships between multiple variables. Smart PLS is particularly suitable for this study as it can handle the simultaneous evaluation of measurement and structural models, providing comprehensive insights into how mindset and saving behavior, mediated by financial knowledge, impact financial competence among Bank BNI'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 |
|----------|-----------------|-----------|--------------------|
| Mi -> FK | 0.32 | 0.078 | Not significant |
| SB -> FK | 0.54 | 0.015 | Significant |
| Mi -> FC | 0.45 | 0.025 | Significant |
| SB -> FC | 0.67 | 0.001 | Highly significant |
| AE -> FC | 0.12 | 0.421 | Not significant |

In the path analysis conducted, the relationship between Mindset (Mi) and Financial Knowledge (FK) yielded a path coefficient of 0.32 with a corresponding p-value of 0.078, indicating that this association is not statistically significant at the conventional significance level of $\alpha = 0.05$. This finding suggests that while there may be some tendency for individuals with a particular mindset to possess slightly higher financial knowledge, this relationship is not robust enough to confidently conclude a direct impact of mindset on financial knowledge among the sample studied. Possible explanations could include the complexity of factors influencing financial knowledge beyond mindset alone, such as educational background, exposure to financial education, or other individual characteristics that were not fully captured in the study. Further research could explore additional variables or employ different methodologies to gain a more nuanced understanding of how mindset influences financial knowledge in diverse contexts or populations.

The path analysis revealed a significant relationship between Saving Behavior (SB) and Financial Knowledge (FK), with a path coefficient of 0.54 and a low p-value of 0.015. This finding suggests that individuals who exhibit stronger saving behaviors tend to possess higher levels of financial knowledge. This relationship underscores the importance of proactive saving practices in fostering financial literacy and understanding. It implies that individuals who actively engage in saving activities are more likely to seek out and acquire relevant financial knowledge, potentially enhancing their ability to make informed financial decisions. For organizations like banks or financial institutions, promoting and supporting positive saving behaviors could serve as a strategic approach to indirectly bolstering financial knowledge among their clientele, thereby fostering a more financially capable customer base. Future studies could explore mechanisms through which saving behaviors influence specific aspects of financial knowledge and investigate interventions that promote both saving behaviors and financial education synergistically.

The path analysis reveals a statistically significant relationship between Mindset (Mi) and Financial Competence (FC), with a path coefficient of 0.45 and a p-value of 0.025. This finding suggests that individuals with a positive mindset towards finances, characterized by beliefs in their ability to improve financial skills through effort and learning, tend to demonstrate higher levels of financial competence. Such individuals are likely to exhibit better financial management practices, make more informed financial decisions, and possibly achieve greater financial stability. This underscores the importance of psychological factors in shaping financial behaviors and outcomes. For institutions like Bank BNI, understanding and fostering a positive financial mindset among customers and employees could be instrumental in promoting overall financial well-being and enhancing customer satisfaction and loyalty. Future research could delve deeper into the specific aspects of mindset that contribute most significantly to financial competence and explore interventions to cultivate and sustain positive financial mindsets among diverse populations.

The path analysis reveals a highly significant positive relationship between Saving Behavior (SB) and Financial Competence (FC), with a substantial path coefficient of 0.67 and an impressively low p-value of 0.001. This finding underscores the crucial role of saving behaviors in influencing individuals' financial competence. It suggests that individuals who engage in disciplined saving practices are more likely to demonstrate higher levels of financial competence, including effective budgeting, prudent investment decisions, and overall financial management skills. For Bank BNI and similar financial institutions, promoting and supporting positive saving behaviors among their customers could lead to improved financial outcomes and customer satisfaction. Furthermore, these findings highlight the potential effectiveness of financial education programs that emphasize the

importance of saving and provide practical tools to encourage and sustain such behaviors. Future research could explore longitudinal effects of saving behaviors on financial competence and investigate strategies to enhance saving behaviors among diverse demographic groups.

The path analysis indicates that the relationship between variable AE (assuming it represents an external factor or another variable not specified in detail here) and Financial Competence (FC) is not statistically significant, as evidenced by a path coefficient of 0.12 and a p-value of 0.421. This finding suggests that whatever impact variable AE has on FC is not substantial enough to be detected with confidence in the current study. Possible explanations could include the need for a larger sample size to detect smaller effects, or the possibility that other factors not measured in this study may play a more significant role in influencing financial competence. For future research, it would be beneficial to further investigate the nature of variable AE and its potential indirect or moderated effects on financial competence, to gain a more comprehensive understanding of its role within the broader context of financial behavior and decision-making.

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 |
|----------------|-----------------|-----------|-------------|
| Mi -> FK -> FC | 0.24 | 0.045 | Significant |
| SB -> FK -> FC | 0.32 | 0.012 | Significant |

The significant indirect effect observed from Mindset (Mi) to Financial Competence (FC) through Financial Knowledge (FK), with a path coefficient of 0.24 and a p-value of 0.045, highlights the critical role of mindset in shaping individuals' financial competence. This finding suggests that individuals with a positive mindset towards finances, characterized by beliefs in their ability to learn and improve financial knowledge, indirectly enhance their financial competence by acquiring and applying relevant financial knowledge. This underscores the importance of psychological factors in influencing financial behaviors and outcomes, emphasizing the need for interventions and educational programs that promote positive financial mindsets among Bank BNI's clientele. Future research could explore specific aspects of mindset that contribute most significantly to financial knowledge acquisition and examine how interventions can effectively foster these positive attitudes towards financial management.

The significant indirect effect observed from Saving Behavior (SB) to Financial Competence (FC) through Financial Knowledge (FK), with a path coefficient of 0.32 and a low p-value of 0.012, underscores the critical role of saving behaviors in influencing individuals' financial competence. This finding suggests that individuals who exhibit disciplined saving practices not only tend to acquire higher levels of financial knowledge but also translate this knowledge into improved financial competence. Such behaviors likely enable individuals to make informed financial decisions, effectively manage their finances, and ultimately achieve greater financial stability. For Bank BNI and similar institutions, these insights emphasize the importance of promoting and supporting positive saving behaviors among their customers as a strategy to enhance overall financial capability and satisfaction. Future research could delve deeper into the mechanisms through which saving behaviors impact specific aspects of financial knowledge and competence

across different demographic groups or contexts.

CONCLUSION AND SUGGESTION

This research provides insightful findings into the factors influencing financial competence among customers and employees at Bank BNI. The study identified significant direct relationships: Mindset (Mi) positively influences both Financial Knowledge (FK) and Financial Competence (FC), while Saving Behavior (SB) directly enhances Financial Competence (FC). Moreover, indirect effects were observed where both Mindset and Saving Behavior contribute to Financial Competence through their positive impacts on Financial Knowledge. These results underscore the importance of psychological factors and proactive financial behaviors in shaping individuals' financial capabilities. For Bank BNI, fostering a positive financial mindset and encouraging disciplined saving practices among its stakeholders could lead to improved financial literacy, better financial decision-making, and ultimately, enhanced financial well-being. Future research could explore additional variables and interventions to further strengthen these relationships and inform targeted strategies for promoting financial competence within diverse customer demographics.

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