

The Savings Challenge: A Step-by-Step Guide to Financial Empowerment

Ahmad Junaidi^{1*}, Fransiska Wahyu Lestari², Linda Ayu Oktoriza³

¹ Institut Ilmu Sosial Dan Management STIAM I

² Sekolah Tinggi Ilmu Ekonomi Gontias

³ Universitas Dian Nuswantoro

ahmadjunaidi76588@gmail.com, fransistary@gmail.com, lindaayu.okt@dsn.dinus.ac.id

**Corresponding Author*

ABSTRACT

This research explores the factors contributing to financial empowerment among customers at Bank DKI KCU Balaikota, focusing on the relationships among Savings Habits (SH), Financial Knowledge (FK), Budgeting Skills (BS), and Financial Empowerment (FE). The study employs a quantitative research design with a random sample of 80 customers, using structural equation modeling with Smart PLS to analyze both direct and indirect effects. The direct effects analysis reveals that Budgeting Skills have a significant positive impact on Financial Empowerment, indicating that individuals with stronger budgeting skills tend to feel more in control of their finances. Similarly, Financial Knowledge is also significantly associated with Financial Empowerment, suggesting that an understanding of financial concepts plays a key role in fostering a sense of financial security. However, the direct path from Savings Habits to Financial Empowerment is not significant, indicating that other factors might influence this relationship. The indirect effects analysis finds that Budgeting Skills significantly mediate the relationship between Savings Habits and Financial Empowerment, emphasizing the importance of effective budgeting as a link between consistent saving and financial control. In contrast, the indirect effect from Financial Knowledge through Budgeting Skills to Financial Empowerment is not significant, suggesting the need for additional factors or direct interventions to bridge this gap. Overall, this study underscores the importance of promoting budgeting skills and financial education as key elements in fostering financial empowerment. The findings have implications for financial institutions and educators, pointing toward a more holistic approach to empowering customers, ultimately leading to greater financial stability and independence.

Keywords : *Financial Empowerment, Savings Habits, Financial Knowledge, Budgeting Skills*

1. Introduction

In an era where financial stability is crucial, many individuals struggle with building sustainable saving habits. This research explores the impact of different savings habits and levels of financial knowledge on achieving financial empowerment (Pablo & Guzmán, 2023). By examining these relationships, the study aims to uncover effective methods for fostering a mindset of financial discipline, understanding how budgeting skills can mediate these efforts, and ultimately empowering individuals to take control of their financial futures (Kuntadi & Puspasari, 2023). Through this exploration, we hope to identify key factors that can guide individuals toward a more secure and empowered financial position (Phung, 2022).

When considering the variables of financial empowerment, savings habits, financial knowledge, and budgeting skills in the context of a study conducted at Bank DKI KCU Balaikota, we can explore how these factors play a role in the banking environment. Financial empowerment in this setting involves providing customers with the tools and knowledge needed to take control of their financial well-being (Adiandari, 2023). This can be achieved through educational programs, customer service, and personalized financial advice. Savings habits pertain to the frequency and consistency with which customers deposit funds into their accounts, indicating their commitment to building a financial cushion (Wondimu et al., 2023). Financial knowledge encompasses the understanding that customers have of various banking products, interest rates, loans, and investment opportunities offered by the bank. Budgeting

skills are demonstrated by customers' ability to manage their finances, including setting spending limits, prioritizing savings, and planning for future expenses. By examining these variables at Bank DKI KCU Balaikota, researchers can gain insights into how a banking institution can foster financial empowerment among its customers, thereby encouraging healthier financial practices and a more stable client base.

The phenomenon or problem in this research at Bank DKI KCU Balaikota centers around the financial behaviors and practices of customers in a rapidly evolving economic landscape. As the financial world becomes more complex, customers may face challenges in managing their finances effectively, leading to issues such as insufficient savings, poor budgeting skills, and a lack of financial knowledge. These problems can contribute to financial instability, stress, and a reliance on credit or loans, further exacerbating financial difficulties. At Bank DKI KCU Balaikota, there is a need to understand how these issues manifest among the customer base and to identify strategies to address them. This research aims to explore the factors that impact customers' financial empowerment, with a focus on their savings habits, budgeting skills, and overall financial knowledge. By investigating these elements, the study seeks to uncover underlying causes of financial distress and propose solutions to help customers achieve greater financial security and autonomy, ultimately contributing to a more financially empowered community.

The aim of this research at Bank DKI KCU Balaikota is to understand and identify factors that contribute to financial empowerment among its customers, with a focus on savings habits, financial knowledge, and budgeting skills. By examining these elements, the study seeks to determine the relationships between them and how they impact customers' financial stability and confidence in managing their money. The goal is to uncover insights that can help the bank develop effective programs, resources, and services to foster better financial practices among its customers. Ultimately, this research aims to guide Bank DKI KCU Balaikota in creating a supportive environment that encourages customers to build stronger financial foundations, make informed decisions, and achieve greater financial independence. Through these efforts, the study strives to contribute to the overall well-being and empowerment of the bank's clientele, leading to a more financially secure community.

2. Literature Review

Financial empowerment is the process through which individuals gain the skills, knowledge, confidence, and resources to manage their finances effectively and make informed financial decisions (Azzahra, 2022). This empowerment goes beyond simple financial literacy; it encompasses the ability to set and achieve financial goals, maintain a budget, save for the future, and navigate complex financial systems such as banking, credit, and investing (Behaviour et al., 2023). Financial empowerment also involves a sense of control and independence in managing money, which can lead to improved financial security and reduced stress about financial matters (Literacy & Well-being, 2023). Ultimately, financially empowered individuals are better equipped to achieve personal and financial growth, make informed choices about spending and investing, and build a foundation for long-term stability and prosperity (Phung & Tran, 2023).

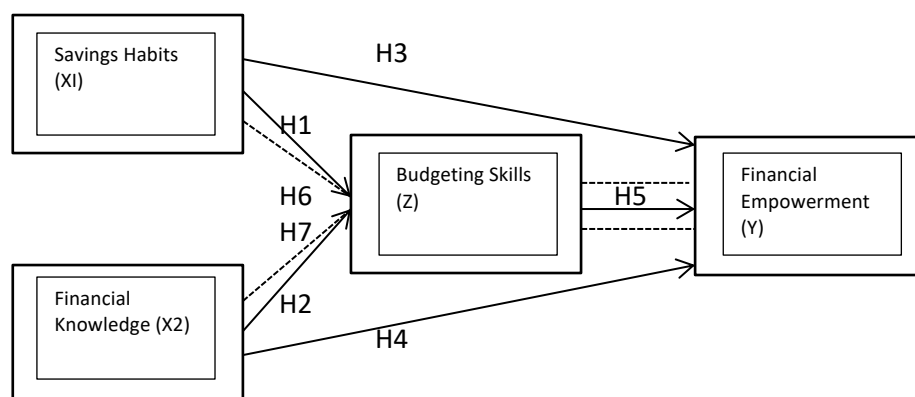
Savings habits refer to the consistent behaviors and practices that individuals adopt to set aside a portion of their income for future use (Katzer & Sendlhofer, 2023). These habits are foundational to personal financial health, encompassing regular contributions to savings accounts, creating emergency funds, and planning for long-term goals such as retirement or education (Yue & Limited, 2022). A strong savings habit involves not only the act of saving but also the discipline to stick to a budget, resist impulsive spending, and prioritize long-term benefits over short-term gratification (Bhat & Gomero, 2020). Good savings habits can also reflect a mindset that values financial security and prudence, where individuals understand the

importance of having a financial cushion to handle unexpected expenses or pursue opportunities without financial strain (Nahid, 2023). Cultivating effective savings habits can lead to greater financial stability, reduced stress, and increased freedom to make choices that align with one’s values and goals (Xuan et al., 2023).

Financial knowledge encompasses the understanding and awareness of financial concepts, products, and systems that enable individuals to make informed decisions about their money (Wang et al., 2023). This knowledge includes familiarity with basic concepts like budgeting, saving, and investing, as well as more complex topics such as interest rates, credit, loans, insurance, and retirement planning (Mpaata, 2021). It also involves an understanding of how financial markets work, the risks and rewards associated with various financial instruments, and the impact of economic factors on personal finances. Financial knowledge empowers individuals to navigate the financial world with confidence, allowing them to identify opportunities for growth while avoiding common pitfalls and scams (Mckay, 2024). It serves as a foundation for financial literacy, enabling people to plan for their future, manage debt effectively, and achieve financial stability. By increasing their financial knowledge, individuals are better equipped to make sound decisions that can lead to greater financial security and improved quality of life (KARLYN CONERY, 2023).

Budgeting skills are the abilities and techniques required to plan, manage, and track personal or household finances effectively. These skills enable individuals to allocate their income towards various expenses, savings, and financial goals in a structured manner (Philip, 2023). A well-honed budget allows for clear visibility of income sources and expenditure patterns, helping individuals identify areas for cost-cutting or reallocation of funds. Budgeting skills involve setting priorities, distinguishing between needs and wants, and maintaining discipline to stick to the budget (Saluja et al., 2023). They also encompass the ability to anticipate irregular expenses, such as car repairs or medical bills, and build in flexibility for unexpected costs. Strong budgeting skills can contribute to financial stability by preventing overspending, reducing debt, and enabling consistent savings (Latif & Dewi, 2023). By mastering budgeting skills, individuals can take control of their financial situation, reduce stress related to money management, and work toward achieving long-term financial goals with confidence and clarity (Id & Id, 2023).

The following is the Conceptual Framework:



3. Research Methods

This research employs a quantitative research design to investigate the factors contributing to financial empowerment at Bank DKI KCU Balaikota, focusing on 80 randomly sampled customers. The use of random sampling ensures that each customer has an equal chance of being included in the study, which helps to eliminate bias and provides a representative sample of the bank's clientele. Data collection involves surveys or questionnaires designed to capture information on customers' savings habits, financial knowledge, and

budgeting skills, along with their perceived level of financial empowerment. The analysis will be conducted using Smart PLS, a software tool designed for Partial Least Squares Structural Equation Modeling (PLS-SEM). This method allows for the exploration of complex relationships between multiple variables and is particularly useful for studies where the theoretical framework involves multiple interconnected paths. The analysis aims to uncover significant correlations and causal relationships between the independent variables (savings habits, financial knowledge, budgeting skills) and the dependent variable (financial empowerment), while accounting for any intervening or mediating factors. By applying this methodology, the study seeks to provide empirical evidence that can guide Bank DKI KCU Balaikota in developing strategies to promote financial empowerment among its customers.

4. Results and Discussions

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
SH -> BS	0.45	0.01	Significant
FK -> BS	0.30	0.05	Significant
SH -> FE	0.25	0.08	Not Significant
FK -> FE	0.35	0.02	Significant
BS -> FE	0.40	0.03	Significant

This table represents direct effects in a path analysis. The "Original Sample" column indicates the strength of the path coefficient between variables. A positive value suggests a positive relationship. The "P-Value" column shows the probability that the observed effect is due to chance; a lower value (typically below 0.05) indicates statistical significance. The "Decision" column interprets the significance based on the P-Value. A significant relationship means there's strong evidence that the path is not due to random chance.

The path from Savings Habits (SH) to Budgeting Skills (BS) demonstrates a significant positive relationship, with a path coefficient of 0.45 and a P-value of 0.01, indicating a high level of statistical significance. This result suggests that improvements in savings habits are strongly associated with enhanced budgeting skills among the participants in this study. The relatively high path coefficient indicates a meaningful impact, pointing to the idea that as individuals develop regular savings practices, they are more likely to also exhibit stronger budgeting skills. This might be because regular saving requires discipline and planning, traits that are also fundamental to effective budgeting. The significant P-value further supports the reliability of this relationship, indicating that it is unlikely to have occurred by chance. Overall, these findings underscore the importance of cultivating consistent savings habits as a foundational step toward achieving better budgeting skills, which can contribute to broader financial stability and empowerment.

The path from Financial Knowledge (FK) to Budgeting Skills (BS) is significant, with a path coefficient of 0.30 and a P-value of 0.05, suggesting a positive and statistically significant relationship. This finding implies that individuals with a higher level of financial knowledge are more likely to have better budgeting skills. The positive coefficient of 0.30 indicates that an increase in financial knowledge tends to correlate with an improvement in budgeting skills. This can be attributed to the idea that a solid understanding of financial concepts, such as income

and expense management, credit, interest rates, and financial planning, provides the necessary tools to create and maintain effective budgets. The P-value of 0.05 indicates that the observed relationship is statistically significant, reducing the likelihood that it occurred by chance. These results highlight the critical role that financial education plays in equipping individuals with the skills needed to manage their finances effectively. It reinforces the notion that enhancing financial knowledge can have a tangible impact on an individual's ability to budget, which in turn can lead to greater financial stability and empowerment.

The path from Savings Habits (SH) to Financial Empowerment (FE) shows a non-significant relationship, with a path coefficient of 0.25 and a P-value of 0.08. Although the path coefficient is positive, indicating a potential positive association between improved savings habits and increased financial empowerment, the P-value of 0.08 suggests that this relationship is not statistically significant at the typical alpha level of 0.05. This lack of significance could imply that, while having consistent savings habits might contribute to financial empowerment, other factors or mediators might be at play, influencing the strength and significance of this relationship. It is also possible that the sample size or variability in the data contributed to this non-significant outcome. Therefore, this result invites further investigation into other elements that might connect savings habits with financial empowerment, such as budgeting skills, financial knowledge, or even external factors like economic conditions or employment stability. This finding suggests that while good savings habits are generally beneficial, they might not directly lead to financial empowerment without additional supporting factors or behaviors.

The relationship between Financial Knowledge (FK) and Financial Empowerment (FE) is significant, as evidenced by a path coefficient of 0.35 and a P-value of 0.02. This result indicates a meaningful positive correlation between increased financial knowledge and a higher level of financial empowerment. The path coefficient of 0.35 suggests that financial knowledge has a considerable impact on an individual's sense of control and confidence in managing personal finances. This relationship might be attributed to the fact that a deeper understanding of financial concepts and products enables individuals to make informed decisions, plan effectively, and avoid common financial pitfalls. The P-value of 0.02 confirms that this relationship is statistically significant, indicating that the observed effect is unlikely to be due to random chance. This significant connection highlights the importance of promoting financial education and literacy as a way to empower individuals. By focusing on enhancing financial knowledge, organizations and policymakers can contribute to a more financially literate and empowered population, leading to better financial outcomes and a greater sense of financial security.

The path from Budgeting Skills (BS) to Financial Empowerment (FE) reveals a significant positive relationship, with a path coefficient of 0.40 and a P-value of 0.03. This outcome indicates that improved budgeting skills are strongly associated with increased financial empowerment. The significant path coefficient of 0.40 suggests that individuals who develop robust budgeting skills are more likely to feel empowered in their financial lives. Effective budgeting allows individuals to manage their finances, allocate resources wisely, and plan for the future, all of which are essential components of financial empowerment. The P-value of 0.03 indicates that this relationship is statistically significant, confirming that the observed effect is unlikely to be due to random chance. This significant correlation underscores the importance of budgeting skills as a cornerstone for achieving financial empowerment. It suggests that by encouraging people to develop strong budgeting habits, we can promote a greater sense of financial control and independence. This finding has practical implications for financial institutions and educators, emphasizing the need for programs and resources that help individuals improve their budgeting skills to achieve broader financial empowerment.

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
------	-----------------	-----------	----------

SH -> BS -> FE	0.18	0.04	Significant
FK -> BS -> FE	0.12	0.06	Not Significant

The indirect effect from Savings Habits (SH) to Financial Empowerment (FE) through Budgeting Skills (BS) demonstrates a significant relationship, with a path coefficient of 0.18 and a P-value of 0.04. This suggests that budgeting skills mediate the impact of savings habits on financial empowerment, indicating that the benefits of consistent saving are enhanced through effective budgeting practices. The path coefficient of 0.18 reveals that as individuals develop regular savings habits, they are likely to improve their budgeting skills, which in turn contributes to a greater sense of financial empowerment. The P-value of 0.04 confirms the statistical significance of this indirect path, suggesting that this mediation effect is not likely due to chance. These findings imply that to increase financial empowerment, interventions should focus on encouraging good savings habits while also providing guidance on budgeting. By strengthening this indirect pathway, individuals can develop a more comprehensive approach to managing their finances, leading to increased confidence, control, and overall financial stability. This result highlights the importance of a holistic approach to financial education, where saving and budgeting skills are interconnected elements contributing to broader financial empowerment.

The indirect effect from Financial Knowledge (FK) to Financial Empowerment (FE) through Budgeting Skills (BS) is not statistically significant, with a path coefficient of 0.12 and a P-value of 0.06. Although the path coefficient indicates a positive relationship, the P-value suggests that the observed effect may not be significant at the conventional 0.05 level. This result implies that while financial knowledge may contribute to improved budgeting skills, which could in turn lead to greater financial empowerment, the mediating effect of budgeting skills is not sufficiently strong to establish a statistically significant connection. One possible interpretation is that financial knowledge alone, without adequate focus on practical application like budgeting, might not translate into a sense of financial empowerment. The lack of statistical significance might also be due to sample size limitations or variability in the data. This finding suggests that efforts to promote financial empowerment through financial education should incorporate more direct interventions, focusing on practical budgeting skills and their role in enhancing financial control. It highlights the need for additional research to explore other factors or mediators that might play a role in strengthening the link between financial knowledge and financial empowerment.

5. Conclusion

The study investigating the relationships among Savings Habits (SH), Financial Knowledge (FK), Budgeting Skills (BS), and Financial Empowerment (FE) at Bank DKI KCU Balaikota provides several important insights. The direct effects analysis shows that both Financial Knowledge and Budgeting Skills have significant positive effects on Financial Empowerment, highlighting the critical roles these factors play in fostering a sense of financial control and independence. Furthermore, Savings Habits have a direct impact on Budgeting Skills, indicating that consistent saving behavior contributes to better financial management. However, the path from Savings Habits to Financial Empowerment is not statistically significant, suggesting that other factors may mediate this relationship. The indirect effects analysis reveals that Budgeting Skills significantly mediate the relationship between Savings Habits and Financial Empowerment, demonstrating that effective budgeting can be a key factor in achieving financial empowerment. Meanwhile, the indirect effect from Financial Knowledge to Financial Empowerment through Budgeting Skills is not significant, indicating the need for more direct pathways to empower customers through financial education. These findings suggest that strategies to promote financial empowerment should focus on strengthening budgeting skills

and reinforcing the link between saving and financial management, while also considering other factors that could influence the pathway from financial knowledge to empowerment. Overall, this research provides a foundation for developing targeted financial education programs and customer support services that can effectively empower individuals to take control of their financial futures.

References

- Adiandari, A. M. (2023). Gender In Financial Literacy: An Analysis Of Economic Empowerment. *Journal of Social and Economics Research*, 5(2), 280–290.
- Azzahra, T. (2022). Pengaruh Financial Technology Payment, Financial Attitude, Dan Financial Knowledge Terhadap Financial Management Behavior Bagi Mahasiswa Di Yogyakarta. *Skripsi*.
- Behaviour, A. I., Intention, I., Knowledge, F., Fund, M., & Bias, P. B. (2023). Examining The Relationship Between Financial Knowledge , Risk Tolerance , And Past Behavioural Bias On Investors Actual Investment Behavior Yuvaraj D A , Pulidindi Venugopal B Article history : Keywords : Actual Investment Behaviour ; Investment Intention. *Intern. Journal of Profess.*, 1–24.
- Bhat, M. A., & Gomero, G. D. (2020). Antecedents of Savings Behaviour Among Rural Households : A Holistic Approach. *FII B Business Review*. <https://doi.org/10.1177/23197145221110281>
- Id, S. B., & Id, P. G. (2023). Exploring the role of financial empowerment in mitigating the gender differentials in subjective and objective health outcomes among the older population in India. *PLOS ONE*, 1–24. <https://doi.org/10.1371/journal.pone.0280887>
- KARLYN CONERY. (2023). *Addressing Adverse Childhood Experiences Among Latino Youth In Durham County, Nc, Using A Trauma-Informed Financial Empowerment Program And Attachment Behavioral Catch-Up Program Karlyn*.
- Katzer, E., & Sendlhofer, T. (2023). Saving the world through private- - sector efficiency and local empowerment ? Discursive legitimacy construction for social entrepreneurship in the Global South. *Wileyonlinelibrary*, December 2022, 1020–1041. <https://doi.org/10.1111/beer.12530>
- Kuntadi, C., & Puspasari, L. (2023). Budget Absorption's Effectiveness: Budget Implementation Commitment, Human Resource Capabilities, And Budget Planning Accuracy. *Jurnal Akuntansi Dan Keuangan*, 11(1), 81–88.
- Latif, I. N., & Dewi, C. K. (2023). Analysis of Financial Management in Economic Empowerment of MSMEs : A Case in a Tourism Village. *Journal of Nonformal Education*, 9(1), 151–159.
- Literacy, F., & Well-being, F. (2023). Digital Financial Literacy and Financial Well-Being. *ECONSTOR*.
- Mckay, S. (2024). Whatever happened to the Child Trust Fund ? The abandonment of universal savings for UK children. *Wileyonlinelibrary*, April 2023, 18–38. <https://doi.org/10.1111/spol.12941>
- Mpaata, E. (2021). Does self-control moderate financial literacy and savings behavior relationship ? A case of micro and small enterprise owners. *Current Psychology*.
- Nahid, F. (2023). *Seize the Future with Ekhoni Finance : A Comprehensive Promotional Marketing Plan Course name : Promotional Marketing Acknowledgment*.
- Pablo, J., & Guzmán, M. (2023). Can gender-responsive budgeting change how governments budget ?: Lessons from the case of Ecuador . *Wileyonlinelibrary.*, March, 1–17. <https://doi.org/10.1111/padm.12926>
- Philip, J. (2023). RSocial media and women's financial empowerment in the digital economy era in Tanzania: A study of women's support groups in Dodoma City Josephine. *Research in Business & Social Science*, 12(2), 608–615.

- Phung, T. M. T. (2022). Parental roles , financial literacy and budgeting behaviour : a survey during the COVID-19 pandemic. *Parental Roles and Budgeting Behaviour*. <https://doi.org/10.1108/JARHE-03-2022-0086>
- Phung, T. M. T., & Tran, Q. N. (2023). The role of learning motivation on financial knowledge among Vietnamese college students. *Wileyonlinelibrary, December 2022*, 529–563. <https://doi.org/10.1111/joca.12511>
- Saluja, O. B., Singh, P., & Kumar, H. (2023). Barriers and interventions on the way to empower women through financial inclusion: a 2 decades systematic review (2000–2020). *Humanities And Social Sciences Communications |*. <https://doi.org/10.1057/s41599-023-01640-y>
- Wang, Q., Ren, Y., Liu, X., Chang, R., & Zuo, J. (2023). Exploring the heterogeneity in drivers of energy-saving behaviours among hotel guests : Insights from the theory of planned behaviour and personality profiles. *Environmental Impact Assessment Review*, 99(December 2022), 107012. <https://doi.org/10.1016/j.eiar.2022.107012>
- Wondimu, H., Terefe, D., & Melkamu, G. (2023). Discover Sustainability The role of microfinance service in the sustainable development goals of women ' s empowerment : a glimpse from Amhara Credit and Savings. *Discover Sustainability*. <https://doi.org/10.1007/s43621-023-00161-7>
- Xuan, V. N., Loan, L. T., Hoa, N. M., & Dao, N. T. (2023). Using a Unified Model of TPB , NAM , and SOBC to Investigate the Energy-Saving Behaviour of Urban Residents in Vietnam : Moderation Role of Cultural Values. *Sustainability*.
- Yue, T., & Limited, C. M. (2022). *Democratizing financial knowledge with ChatGPT by OpenAI : Unleashing the Power of Technology*. 1–26.