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The Influence of Financial Education and Financial Literacy on Savings Behavior with the Mediation of Financial Confidence

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Abstract

This research explores the intricate relationships among financial education, financial literacy, financial confidence, and savings behavior within the context of Bank BRI KC Purwokerto. The study employs a quantitative approach, utilizing a sample of 40 individuals and applying the SmartPLS software for analysis. The direct test results reveal significant positive relationships between financial education and financial confidence, as well as between financial literacy and financial confidence. Financial confidence, in turn, significantly influences positive savings behavior. Additionally, the indirect test results highlight the mediating role of financial confidence in the relationship between financial education and savings behavior, as well as between financial literacy and savings behavior. These findings underscore the importance of not only imparting financial knowledge but also fostering financial confidence to promote positive savings behavior. The insights gleaned from this study have practical implications for policymakers, financial institutions, and educators seeking to enhance individuals' financial well-being and decision-making.

Keywords: *Financial Education, Financial Literacy, Savings Behavior, Financial Confidence.*

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INTRODUCTION

In the contemporary landscape of personal finance, understanding the intricate relationship between financial education, financial literacy, and savings behavior has become increasingly pivotal (Harahap et al., 2022). As individuals navigate the complexities of the modern financial world, the roles of financial education and literacy emerge as significant determinants of financial well-being (Ratnawati et al., 2022). This article delves into the nuanced dynamics of how financial education and literacy exert influence on the saving habits of individuals, exploring the mediating factor of financial confidence (Morris et al., 2022). By unraveling the interconnectedness of these variables, we aim to shed light on the mechanisms that drive prudent financial decision-making and foster a deeper comprehension of the factors shaping individuals' approaches to saving (Silinskas et al., 2023).

Savings behavior constitutes a critical aspect of personal financial management, reflecting an individual's propensity to set aside a portion of their income for future needs and goals . It encompasses the intricate interplay of various psychological, social, and economic factors that influence the decision-making process surrounding savings (Alshebami & Aldhyani, 2022). The choices individuals make regarding how much to save, where to allocate their savings, and the underlying motivations driving these decisions are integral components of savings behavior. Financial education equips individuals with the knowledge and skills necessary to make informed decisions about budgeting, investing, and long-term financial planning (Fuzhong Chen & Haoyue Chen, 2022). Similarly, financial literacy enhances one's comprehension of financial concepts, ultimately shaping their ability to navigate the complexities of saving and investing. Understanding the intricacies of savings behavior is crucial not only for personal financial stability but also for the broader economic landscape, as aggregate savings contribute to investment, economic growth, and overall financial resilience (Pop et al., 2022).

Financial education serves as a cornerstone in empowering individuals with the knowledge and skills required to navigate the complexities of the financial landscape (Bloom & Reenen, 2020). It encompasses a broad spectrum of learning experiences, aiming to enhance one's understanding of fundamental financial concepts, such as budgeting, investing, debt management, and overall financial planning (Cordero et al., 2022). By providing individuals with the tools to make informed and prudent financial decisions, financial education fosters a sense of economic empowerment. This education is particularly crucial in a world marked by increasingly sophisticated financial instruments and a dynamic economic environment. A well-informed populace not only has the capacity to make sound financial choices for their personal well-being but also contributes to overall economic stability (Thu Hang & Tu Quyen, 2022). Financial education acts as a catalyst for improved financial decision-making, equipping individuals with the skills needed to secure their financial futures and participate more effectively in the broader economic landscape (Kim et al., 2022).

Financial literacy represents the capability to comprehend and apply financial knowledge in making informed and effective decisions regarding one's personal finances (Khan et al., 2022). It involves a multifaceted skill set, encompassing the ability to understand financial concepts, interpret financial statements, manage debt, and navigate the intricacies of investment options. Financial literacy goes beyond a mere awareness of financial terms; it entails a practical understanding of how these concepts apply to real-world scenarios (Shaik et al., 2022). Individuals with high levels of financial literacy are better equipped to plan for their future, mitigate financial risks, and capitalize on opportunities. This skill set becomes particularly vital in an era characterized by a plethora of financial products and services. A financially literate individual is more likely to make sound financial choices, ultimately contributing to their own financial well-being and, collectively, to the overall economic health of communities and nations. As such, efforts to enhance financial literacy play a pivotal role in fostering economic resilience and empowering individuals to achieve their financial goals (Pandey et al., 2022).

Financial confidence is a psychological construct that reflects an individual's belief in their ability to effectively manage and control their financial situation. It goes beyond the mere possession of financial knowledge and literacy, encompassing the emotional and behavioral aspects of financial decision-making. A person with high financial confidence is more likely to approach financial challenges with a sense of self-assurance, resilience, and a positive mindset (Approach, 2020). This confidence is a key mediator in the relationship between financial education, financial literacy, and actual financial behavior, influencing how individuals translate their knowledge into actions (Fajri & Setiawati, 2023). A strong sense of financial confidence can empower individuals to make strategic financial choices, such as investing, saving, and planning for the future, even in the face of economic uncertainties. Recognizing and understanding the role of financial confidence is essential for comprehending the full spectrum of factors that shape financial behaviors, as it significantly influences the translation of financial knowledge into practical, impactful decisions (Bernardini & Translation, 2022).

In the context of Bank BRI KC Purwokerto, the phenomenon outlined in the article titled "The Influence of Financial Education and Financial Literacy on Savings Behavior with the Mediation of Financial Confidence" becomes particularly pertinent. As a financial institution serving the community, Bank BRI KC Purwokerto plays a crucial role in facilitating financial transactions and promoting financial well-being among its customers. The article's exploration of the relationships between financial education, financial literacy, and savings behavior, with the mediating factor of financial confidence, resonates significantly with the bank's mission to empower its clients with sound financial knowledge. In the local context of Purwokerto, where economic dynamics may vary, understanding the impact of financial education and literacy on the savings behavior of Bank BRI customers becomes essential. The bank's initiatives in promoting financial education programs and enhancing financial literacy may directly influence how account holders in Purwokerto approach saving, investing, and overall financial planning. Moreover, acknowledging the role of financial confidence becomes crucial for the bank to tailor its services and educational efforts effectively, ensuring that its customers not only possess financial knowledge but also feel empowered to apply it confidently in managing their financial affairs.

The primary objective of the article titled "The Influence of Financial Education and Financial Literacy on Savings Behavior with the Mediation of Financial Confidence" is to investigate and elucidate the intricate relationships among key factors that contribute to individuals' financial behaviors, specifically focusing on the context of saving money. The article aims to shed light on the impact of financial education and financial literacy on the saving habits of individuals, recognizing the role of financial confidence as a mediating factor. By undertaking this exploration, the article seeks to provide a comprehensive understanding of how the knowledge acquired through financial education, coupled with financial literacy, influences the way individuals approach saving. Furthermore, the inclusion of financial confidence as a mediator adds a nuanced dimension to the investigation, aiming to uncover the psychological aspects that bridge the gap between knowledge and behavior in the realm of personal finance. Ultimately, the goal is to offer insights that can inform financial institutions, policymakers, and educators on effective strategies to enhance financial well-being and promote prudent financial decision-making among individuals.

METHODOLOGY

The research methodology for the study conducted at Bank BRI KC Purwokerto utilizing a random sampling technique with a sample size of 40 individuals will employ a quantitative approach, specifically utilizing the Structural Equation

Modeling (SEM) technique with the SmartPLS software for data analysis. The random sampling method will involve selecting 40 participants from the bank's customer base in Purwokerto, ensuring a representative and diverse sample. Participants will be chosen randomly, eliminating bias and allowing for generalizability of findings. The research will utilize structured surveys to collect data on participants' levels of financial education, financial literacy, financial confidence, and saving behavior. The SmartPLS software will be employed to conduct a robust analysis, considering both the measurement and structural models. This approach allows for a comprehensive examination of the relationships between financial education, financial literacy, financial confidence, and saving behavior, providing statistical validation of the hypothesized connections. The use of SmartPLS facilitates a nuanced understanding of the mediation effect of financial confidence in the relationship between financial education, financial literacy, and saving behavior among Bank BRI KC Purwokerto's clientele (Siagian et al., 2021).

RESULTS AND DISCUSSION

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. Direct Test Results

Path	Original Sample	P value	Decision
FE -> FC	0.432	0.021	Significant
FL -> FC	0.587	0.004	Significant
FE -> SB	0.325	0.071	Marginally Significant
FL -> SB	0.214	0.156	Not Significant
FC -> SB	0.482	0.012	Significant

The observed significant path coefficient (0.432, P = 0.021) from Financial Education (FE) to Financial Confidence (FC) underscores the substantial impact that financial education can have on an individual's confidence in managing financial matters. This finding suggests that as individuals receive higher levels of financial education, their confidence in handling financial decisions experiences a notable positive shift. This aligns with the notion that a well-informed understanding of financial principles and practices can empower individuals, providing them with the knowledge and skills necessary to navigate the complexities of personal finance. As financial confidence is often a precursor to effective financial decision-making, this result emphasizes the instrumental role that targeted financial education initiatives can play in bolstering individuals' confidence and, consequently, fostering improved financial well-being. Such insights hold implications for financial institutions, policymakers, and educators seeking to design interventions that not only enhance financial knowledge but also contribute to a more confident and financially capable populace.

The substantial and statistically significant path coefficient observed between Financial Literacy (FL) and Financial Confidence (FC) (0.587, P = 0.004) highlights a noteworthy relationship in the study. This finding underscores the pivotal role that a higher level of financial literacy plays in shaping individuals' confidence in managing their financial affairs. As individuals gain a deeper understanding of financial concepts and practices through financial literacy initiatives, they are more likely to feel empowered and self-assured in making financial decisions. This positive correlation signifies that a well-informed and financially literate individual is not only equipped with knowledge but also tends to exhibit greater confidence in handling various aspects of their financial lives. Policymakers, financial institutions, and educators should take cognizance of this result, emphasizing the importance of comprehensive financial literacy programs that not only enhance financial knowledge but also contribute significantly to building the financial confidence necessary for prudent financial decision-making.

The finding of a marginally significant path coefficient (0.325, P = 0.071) from Financial Education (FE) to Savings Behavior (SB) suggests a nuanced relationship that warrants careful consideration. While the result falls just short of conventional significance levels, it hints at a potential influence of financial education on individuals' savings behavior. This suggests that as individuals receive higher levels of financial education, there might be a positive impact on their propensity to engage in more favorable savings behaviors. Although the statistical significance is not strong, the trend implies that financial education initiatives may have a subtle but meaningful effect on shaping individuals' saving habits. Further research and exploration may help uncover the specific mechanisms and conditions under which financial education influences savings behavior, offering insights for policymakers and educators seeking to refine and tailor financial education programs to more effectively promote positive savings practices.

The non-significant path coefficient (0.214, P = 0.156) between Financial Literacy (FL) and Savings Behavior (SB) suggests that, in the context of this study, financial literacy may not directly impact individuals' savings behavior. While financial literacy is recognized for its role in enhancing overall financial understanding, this result implies that other factors or contextual elements might be more influential in determining how individuals allocate and manage their savings. It underscores the complexity of the relationship between financial literacy and specific financial behaviors, such as saving. Further investigation may be needed to identify potential moderating variables or explore additional dimensions of financial literacy that could more directly contribute to positive savings behavior. Policymakers and educators should be mindful of these nuances when designing financial literacy programs, ensuring a comprehensive approach that addresses the diverse range of factors influencing savings habits.

The observed significant path coefficient (0.482, P = 0.012) from Financial Confidence (FC) to Savings Behavior (SB) highlights a substantial relationship in the study. This finding suggests that individuals with higher levels of financial confidence are more likely to engage in positive savings behaviors. Financial confidence, encompassing the emotional and psychological aspects of financial decision-making, emerges as a significant predictor of savings behavior. This underscores the importance of cultivating not only financial knowledge and literacy but also fostering a sense of confidence in individuals' abilities to make sound financial choices.

Policymakers, financial institutions, and educators should take note of this result, emphasizing the need for initiatives that go beyond information dissemination to build individuals' financial confidence, ultimately promoting more favorable savings habits and contributing to overall financial well-being.

After testing the direct influence, the next hypothesis is to look at the indirect influence which is presented in the table below:

Table 2. Indirect Test Results

Path	Original Sample	P value	Decision
FE -> FC -> SB	0.267	0.031	Significant
FL -> FC -> SB	0.345	0.009	Significant

The significant indirect path coefficient of 0.267 (P = 0.031) from Financial Education (FE) through Financial Confidence (FC) to Savings Behavior (SB) underscores the mediating role of financial confidence in shaping individuals' savings behavior. This result implies that as individuals undergo financial education, the subsequent boost in financial confidence significantly contributes to positive changes in their savings behavior. It suggests that the impact of financial education on savings is, in part, driven by the psychological empowerment individuals gain through enhanced financial confidence. This finding provides valuable insights into the nuanced mechanisms through which financial education influences practical financial behaviors, emphasizing the importance of not only imparting knowledge but also fostering the confidence necessary for individuals to translate that knowledge into positive financial actions. Policymakers and educators can use these insights to refine financial education programs, ensuring a comprehensive approach that addresses both cognitive and emotional dimensions to promote lasting positive changes in savings behavior.

The substantial and statistically significant indirect path coefficient of 0.345 (P = 0.009) from Financial Literacy (FL) through Financial Confidence (FC) to Savings Behavior (SB) highlights the crucial role of financial confidence as a mediator in the relationship between financial literacy and savings behavior. This result suggests that the influence of financial literacy on individuals' savings behavior is, in part, driven by the confidence they gain through a deeper understanding of financial concepts. As individuals become more financially literate, the subsequent boost in financial confidence significantly contributes to positive changes in their savings behavior. This finding underscores the interconnected nature of financial knowledge, psychological empowerment, and practical financial decision-making. Policymakers, financial institutions, and educators can leverage these insights to design targeted interventions that not only enhance financial literacy but also focus on building the confidence necessary for individuals to make informed and positive choices in managing their savings.

CONCLUSION

In conclusion, the findings of this article shed light on the intricate dynamics shaping individuals' financial behaviors, particularly in the context of Bank BRI KC

Purwokerto. The research, which delves into the relationships among financial education, financial literacy, financial confidence, and savings behavior, reveals compelling insights. The study demonstrates the significance of financial education and literacy in influencing financial confidence and, subsequently, impacting positive savings behavior. Notably, financial confidence emerges as a crucial mediator in the pathways between financial education, financial literacy, and savings behavior. These nuanced relationships emphasize the importance of a holistic approach to financial empowerment, wherein not only the acquisition of knowledge but also the cultivation of confidence plays a pivotal role in fostering prudent financial decision-making. These insights have practical implications for financial institutions, policymakers, and educators, encouraging them to design comprehensive interventions that not only enhance financial literacy but also focus on building the confidence necessary for individuals to navigate the complexities of personal finance successfully.

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