



The Effect of Financial Knowledge, Financial Experience and Spiritual Intelligence on Investment Planning Behavior

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Abstract—This study aims to examine the effects of financial knowledge, financial experience and spiritual intelligence on investment planning behavior at Oebobo District, Kupang City, East Nusa Tenggara. The method used in this study is a qualitative method; meanwhile the data are collected through an online survey. In total, there were 105 employees participated in the survey. The participants are residents of the Oebobo sub-district, Kupang City, East Nusa Tenggara. Furthermore, multiple linear regressions are used in analyzing the data. The results of this study revealed that partially and simultaneously financial knowledge, financial experience and spiritual intelligence relates positively to investment.

Keywords: Financial Experience; Financial Knowledge; Investment Planning Behavior; Spiritual Intelligence.

INTRODUCTION

Financial managers' behavior is an important topic in management literature. The development of technology supports the rapid spread of information that may encourage the practice of negative financial behavior such as less saving and investing as well as uncontrolled online spending. To avoid financial problems, financial managers need to develop financial management capabilities by promoting several factors such as financial knowledge, financial experience and spiritual intelligence.

In investing, an individual needs to have sufficient financial knowledge to analyze the risks and returns of their investment products. Financial knowledge is a person's ability to obtain, understand and evaluate relevant information to make decisions by understanding the consequences that may occur (Mason & Wilson, 2000). To have financial knowledge, it is necessary to develop financial skills and learn to use financial tools. Beside financial knowledge, another important factor is financial experience. A financial experience is a financial-related event that has

been experienced, lived, and felt in the past or in the present (Silvy & Yulianti, 2013).

In relation to investment planning, spiritual intelligence plays an important role. Spiritual intelligence can guide a person to think more critically. Spiritual intelligence can help a person to develop himself as more comprehensive, has a clear meaning, and purpose for himself. Spiritual intelligence does not depend on the value given by other people but rather this intelligence is able to create the possibility to have its own values and goals (Lee & Kusumah, 2020). According to Faridawati & Silvy (2019) in managing family finances by having spiritual intelligence will have an impact on positive attitudes such as responsibility, independence, honesty and optimization of financial freedom.

The results of the initial survey on families with monthly incomes in Oebobo District, Kupang City, East Nusa Tenggara, showed that many families lacked financial skills. This was marked by individuals who had high incomes without financial investment plans. Although the tendency to have financial goals such as a pension fund is high, many families are unable to reach the goals due to

insufficient funds. This happens because the financial managers do not have financial knowledge, financial experience and spiritual intelligence in investment planning.

This study refers to a study conducted by [Sriwidodo \(2015\)](#). The results showed that there was a significant effect of financial knowledge, financial experience and self-control on investment planning behavior in single employees in the Gondangrejo sub-district, Karanganyar Regency. The present study used the same independent variables as employed by the study by [Sriwidodo \(2015\)](#), which are financial knowledge and financial experience. The present study also used the same dependent variable, namely the behavior of investment planning. This study, however, used spiritual intelligence as an additional variable. The purpose of this study was to examine the influence of financial knowledge, financial experience and spiritual intelligence on investment planning behavior in Oebobo District, Kupang City, East Nusa Tenggara.

This study can contribute to the literature in several ways. First, this study suggests that an individual with higher financial knowledge is able to make good decisions for their family, to increase their economic security and welfare. The better the financial knowledge a person has, the better the knowledge to manage finances in making decisions. Second, beside financial knowledge in shaping investment planning behavior, individuals need to have financial experience in managing finances. Good and correct financial decision management is needed to increase income, and manage tax payment expenses. Financial experience can be learned from personal experience. Third, the present study argues that spiritual intelligence an individual or a family with high spiritual intelligence would be able to behave positively in each financial decision. Spiritual intelligence is considered the highest intelligence because it is closely related to one's awareness to interpret everything and is a way to gain happiness. Someone who has spiritual intelligence will be able to give meaningful value to money so that they do not have a wrong perception of money ([Sina & Noya, 2014](#)). Thus, people with monthly incomes are required to maximize the income by planning their investments with sufficient financial knowledge, financial experience and spiritual intelligence. Based on the explanation above, this study aims to examine the effects of financial knowledge, financial experience and spiritual intelligence on investment planning behavior at Oebobo District, Kupang

City, East Nusa Tenggara.

CONCEPT AND HYPOTHESIS

Investment planning is an act of placing a number of funds at this time with the hope of obtaining profits in the future ([Mulvey & Vladimirov, 1989](#)). The planning process is similar to planning a budget plan or austerity plan. Wherever someone is, whatever someone wants, and how to get there, one way to get started is to develop individual investment policy statements. The advantages of developing investment policies as a planning framework are (1) The policy-making process requires thinking through individual goals and expectations and adapting them to what is possible, (2) Policy statements give individuals an active role in investment planning, even if the details and implementation more specifically are left to professional investment advisors, (3) Individual policy statements are portable, even if changing advisors, the plan can be concurrent with investment advisors, and (4) Individual policy statements are flexible, which can be updated at least once a year. A good investment strategy is essential to help finances thrive. The investment planning process can be held by (1) clarifying which investment objectives before investing money. It is important to identify and prioritize financial goals, assess risk tolerance, and understand investment options, and (2) developing an investment strategy that can be held by assessing the financial situation, understand investment options, implement diversification, allocate funds, monitor progress, and consider tax implications.

Financial knowledge is knowledge to manage finances in decision making ([Chen, 1998](#)). A person who is financially knowledgeable tends to behave in a financially responsible manner ([Hilgert & Hogarth, 2003](#)). Knowledge refers to what individuals know about personal finance matters, as measured by their level of knowledge about various personal finance concepts. Financial knowledge is not only able to make a person spends money wisely, but also can benefit the economy. Thus, an individual with good financial knowledge will be able to use money according to what is needed ([Ida & Dwinta, 2018](#)). A person with higher financial knowledge is able to make good decisions for themselves, thereby increasing their economic security and well-being. The better the financial knowledge a person has, the better the knowledge to manage finances in making decisions. [Ida & Dwinta \(2018\)](#) argue that the

development of financial knowledge was introduced at various levels of education. There are various sources of knowledge that can be obtained, including formal education, such as high school programs or lectures, seminars and training classes outside of school, as well as informal sources, such as from parents, friends, and the work environment. According to Rooij et al. (2011), financial knowledge is needed in making decisions to allocate financial resources by considering the possible risks and benefits that would be obtained.

Financial experience is used as capital in managing finances. Excellent financial decisions are needed to increase income and manage tax payments. Positive childhood experiences about managing finances, social environment, and attitudes towards thrift play roles in financial management in the future family financial behavior. Financial experience can be obtained by a financial manager from spending transactions or making family financial decisions. Family financial managers in general have had family experience with investing in real assets but have never had experience investing in financial assets. Motivation to achieve a better family life in terms of financial resources also comes from life learning and learning from the experience itself. Therefore, a family financial manager must be more careful in making financial decisions (Silvy & Yulianti, 2013).

According to Azzet (2010) spiritual intelligence is rated as the highest intelligence because it is closely related to one's awareness to be able to interpret everything and is a way to be able to feel happiness. A person needs to find, manage and optimize or utilize the values of wisdom possessed within oneself to achieve noble goals and make life truly meaningful (Sina & Noya, 2014). Zohar & Marshall (2000) as the initiators of spiritual intelligence stated that spiritual intelligence is not related to religion. Even many humanists and atheists have high levels of spiritual intelligence but in contrast to many religious activists where they have low spiritual intelligence. According to Zohar & Marshall (2000), spiritual intelligence can shape values, meanings and goals. Spiritual intelligence is very important because it can heal or build a whole human being. According to Peter and Andris (2012) there are several indicators that make a person have spiritual intelligence, namely being open and enjoying everyday life quietly, trying to manage finances well based on religious teachings, not easily regretting and giving up,

being calm and always praying and taking advantage of free time.

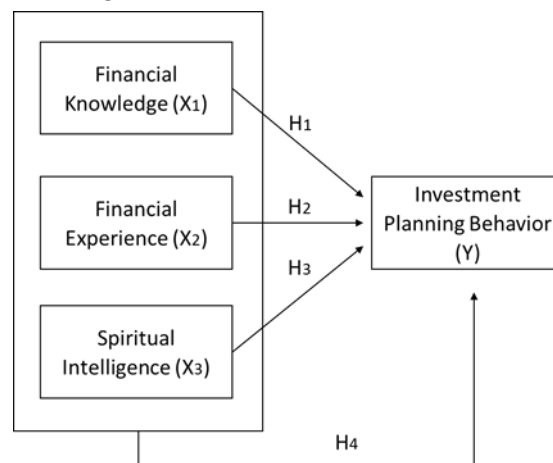


Figure 1

Theoretical Framework

Hypotheses of the present study are as follows:

H₁ : Financial Knowledge has a positive relationship with Investment Planning Behavior in Oebobo District, Kupang City, East Nusa Tenggara

H₂ : Financial Experience has a positive relationship with Investment Planning Behavior in Oebobo District, Kupang City, East Nusa Tenggara

H₃ : Spiritual Intelligence has a positive effect on Investment Planning Behavior in Oebobo District, Kupang City, East Nusa Tenggara

H₄ : Simultaneously Financial Knowledge, Financial Experience and Spiritual Intelligence positively affect Investment Planning Behavior in Oebobo District, Kupang City, East Nusa Tenggara

METHOD

This study used a quantitative research. The data were collected through an online survey. In total, there were 105 employees participated in the survey. The participants are residents of the Oebobo sub-district, Kupang City, East Nusa Tenggara. The data used in this study is quantitative data, namely data in the form of numbers or numbered qualitative data (Sugiyono, 2010). The sources of data used in this study are primary data and secondary data. The primary data in this study were obtained from respondents' responses to each question in the questionnaire. Investment Planning Behavior is used in this study as the dependent variable (Y). The indicators of investment planning behavior variables in this study refer to a previous study (Mulvey &

Vladimirou, 1989) include: a) Identify and prioritize financial goals; b) Assess risk tolerance; c) Understand investment options; d) Assess financial situation; e) Implement diversification; f) Allocate funds; g) Monitor progress, and h) Consider tax implications. The indicators of Financial Knowledge (Variable X₁) in this study refer to a study by Rooij et al. (2011) including a) basic personal finance; b) money management; c) credit and debt management; d) saving and investment; and e) risk management. The indicators of Financial Experience (Variable X₂) in this study refer to a study by (Purwidianti & Mudjiyanti, 2016) including a) banking related experience; b) stock market-related experience; c) pawnshop related experience; d) insurance-related experience; and e) pension fund related experience. Spiritual intelligence (Variable X₃) in this study was measured by indicators referred from Lee & Kusumah

(2020) including a) openness and easy-going character; b) Efforts to manage finances based on religious teachings; c) persistence; d) relaxed and rely on prayers, and e) take advantage of free time. Furthermore, in analyzing the data, multiple linear regressions were used to determine the magnitude of the influence of the independent variables on the variables as expressed by the equation.

RESULT AND DISCUSSION

Instrument validity and reliability

A validity test is used to assess whether the questionnaire has actually measured what is intended to be measured (Hair Jr., Hult, Ringle, & Sarstedt, 2016). The results show that all items are considered valid since the correlation between each item and the total score is statistically significant. The validity test results are presented in Table 1.

Table 1
Validity test result

| Variable | Items | Correlation | Sig |
|----------|-------|-------------|------|
| X1 | X1.1 | .862 | .000 |
| | X1.2 | .893 | .000 |
| | X1.3 | .850 | .000 |
| | X1.4 | .806 | .000 |
| | X1.5 | .860 | .000 |
| X2 | X2.1 | .929 | .000 |
| | X2.2 | .962 | .000 |
| | X2.3 | .931 | .000 |
| | X2.4 | .943 | .000 |
| | X2.5 | .932 | .000 |
| X3 | X3.1 | .894 | .000 |
| | X3.2 | .863 | .000 |
| | X3.3 | .877 | .000 |
| | X3.4 | .897 | .000 |
| | X3.5 | .873 | .000 |
| Y | Y1 | .876 | .000 |
| | Y2 | .860 | .000 |
| | Y3 | .933 | .000 |
| | Y4 | .896 | .000 |
| | Y5 | .882 | .000 |
| | Y6 | .881 | .000 |
| | Y7 | .904 | .000 |
| | Y8 | .950 | .000 |

The construct reliability test is carried out to examine whether the constructs are reliable (Hair Jr. et al., 2016). The constructs are deemed reliable when Cronbach Alpha values

exceed the value of 0.6. The following are the results of reliability testing:

Table 2
Reliability test results

| Variable | Crobach Alpha | Cut-off value | Conclusion |
|----------|---------------|---------------|------------|
| X1 | .907 | .600 | Reliable |
| X2 | .967 | .600 | Reliable |
| X3 | .928 | .600 | Reliable |
| Y | .965 | .600 | Reliable |

Hypotheses Testing

Multiple regression analysis was conducted to examines the first, second and third hypotheses 3. Overall, the results are shown in Table 3. The hypotheses testing is elaborated in the below sections.

First, the result shows that Financial Knowledge (X₁) is related positively with Investment Planning Behavior (Y). The unstandardized coefficient is 0.255 and the p-value is significant at 0.007. This confirms the first hypothesis.

Second, the result shows that Financial Experience (X₂) is related positively with Investment Planning Behavior (Y). The unstandardized coefficient is 0.171 and the p-value is significant at 0.026. This confirms the second hypothesis.

Third, the result shows that Spiritual Intelligence (X₃) is related positively with Investment Planning Behavior (Y). The unstandardized coefficient is 0.390 and the p-value is significant at 0.000. This confirms the third hypothesis.

Table 3
Multiple Regression Results

| Model | Coefficients ^a | | | | | |
|-------|-----------------------------|------------|---------------------------|------|-------|------|
| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | |
| | B | Std. Error | Beta | | | |
| 1 | (Constant) | .107 | .323 | | .332 | .740 |
| | X1 | .255 | .093 | .236 | 2.734 | .007 |
| | X2 | .171 | .076 | .188 | 2.253 | .026 |
| | X3 | .390 | .071 | .443 | 5.480 | .000 |

a. Dependent Variable: Y

Lastly, an F-test was carried out to examine the simultaneous effect the independent variables on the dependent variables. The result shows that simultaneously Financial Knowledge (X₁), Financial Experience (X₂) and Spiritual Intelligence (X₃) are related positively with the Investment Planning Behavior (Y). The F-value is 31.225 and the p-value is significant at 0.000. This confirms the fourth hypothesis. The results are presented in the Table 4.

Table 4
Simultanoues Effect

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|-----|-------------|--------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 37.018 | 3 | 12.339 | 31.225 | .000 ^b |
| | Residual | 39.913 | 101 | .395 | | |
| | Total | 76.931 | 104 | | | |

a. Dependent Variable: Y

b. Predictors: (Constant), X3, X2, X1

In addition, an R square was calculated to examine the determination coefficient of the effect of independent variables toward the independent variable. The R Square value of 0.481 indicated that in overall the magnitude of the impact of Financial Knowledge, Financial Experience and Spiritual Intelligence is 48.1%. The results are demonstrated in Table 5.

Table 5
R Square

| Model Summary | | | | |
|---------------|-------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .694 ^a | .481 | .466 | .62863 |

a. Predictors: (Constant), X3, X2, X1

In overall, as indicated in the abovementioned section, the regression model in this study is as follow:

$$Y = 0.107 + 0.255 X_1 + 0.171 X_2 + 0.390 X_3$$

From the equation, it can be explicated the following:

The constant value of 0.107 is a positive value. This means that if the independent variables (X₁, X₂, X₃) are equal to 0 (zero), then the value of Investment Planning Behavior as a dependent is 0.107.

The financial Knowledge (X₁) regression coefficient is 0.255. The positive regression coefficient value indicates a positive relationship with Investment Planning Behavior, meaning that if there is a unit addition of Financial Knowledge, the Investment Planning Behavior will increase by 0.255.

The financial Experience (X₂) regression coefficient is 0.171. The positive regression coefficient value indicates a positive relationship with Investment Planning Behavior, meaning that if there is a unit addition of Financial Experience, the Investment Planning Behavior will increase by 0.171.

Spiritual Intelligence (X₃) regression coefficient is 0.390. The positive regression coefficient value indicates a positive

relationship with Investment Planning Behavior, meaning that if there is a unit addition of Spiritual Intelligence, the Investment Planning Behavior will increase by 0.390.

Grounded by the results obtained above, this study contributes to the literature theoretically. The results were also consistent with previous studies in this area (Faridawati & Silvy, 2019; Purwidiyanti & Mudjiyanti, 2016; Silvy & Yulianti, 2013; Sina & Noya, 2014; Sriwidodo, 2015).

CONCLUSION

Based on the results of the study, it can be concluded that partially and simultaneously Financial Knowledge, Financial Experience and Spiritual Intelligence relates positively to Investment Planning Behavior. The results support all the hypotheses proposed by this study. In addition, there are practical recommendations of the study that can be proposed to household financial managers. First, apart from attempting to gain more financial resources into the household, it is crucial to learn how to manage money better. One way to do that is by informally involved in financial training where extant knowledge regarding financial issues is taught. Second, it is imperative to learn how other people successfully manage their household finances. This experience may help household financial managers in making accurate financial decisions. Third, since spiritual intelligence is important in this matter, it is advised that financial managers learn more about spiritual aspects in managing financial issues.

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