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The Role of Emotional Intelligence in Financial Competence

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Abstrak

This research investigates the intricate relationship between emotional intelligence, financial education, financial behavior, and financial competence among employees at PT. PPI Cabang Padang. Using path analysis, the study examines both direct and indirect effects of emotional intelligence and financial education on financial competence through financial behavior. The findings reveal significant direct effects of emotional intelligence and financial education on financial competence, highlighting their crucial roles in shaping individuals' financial capabilities. Additionally, the analysis uncovers significant indirect effects of emotional intelligence and financial education on financial competence through their influence on financial behavior. The research method used quantitative approach with random sampling as sample 70 employee at PT. PPI Cabang Padang. These results underscore the importance of fostering emotional intelligence skills and providing comprehensive financial education within the organization to promote positive financial behaviors and enhance overall financial competence among employees. By integrating targeted interventions and education initiatives, PT. PPI Cabang Padang can empower its workforce to make informed financial decisions, ultimately leading to greater financial stability and success for both individuals and the organization.

Keywords: Emotional Intelligence, Financial Education, Financial Behavior, Financial Competence

INTRODUCTION

In recent years, the significance of emotional intelligence in various domains has garnered substantial attention, particularly in the realm of financial competence. Emotional intelligence, which encompasses the ability to recognize, understand, and manage our own emotions as well as those of others, plays a pivotal role in shaping financial behaviors and decision-making processes (Idris, 2022). This research aims to explore the intricate relationship between emotional intelligence and financial competence, considering financial education as an additional influencing factor (Hadi Mousavi, 2020). By examining how emotional intelligence and financial education collectively impact financial behavior, this study seeks to provide a comprehensive understanding of the pathways through which individuals can enhance their financial competence, ultimately leading to better financial outcomes and stability (Drigas et al., 2021).

In the context of PT. PPI Cabang Padang, the research variables would be examined within the framework of the company's employees' financial practices and competencies. The dependent variable, financial competence, reflects the employees' ability to effectively manage their personal finances, including budgeting, saving, and investing (Lusardi & Mitchell, 2023). The independent variables are emotional intelligence,

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which pertains to the employees' capacity to understand and manage their emotions and those of others, and financial education, which involves the knowledge and skills they have acquired related to financial management. The intervening variable, financial behavior, represents the actual financial actions and decisions made by the employees (Coronado-Maldonado & Benítez-Márquez, 2023). This study aims to explore how emotional intelligence and financial education influence financial behavior, and in turn, how these behaviors impact overall financial competence among the employees at PT. PPI Cabang Padang. By understanding these relationships, the company can implement strategies to enhance financial well-being and productivity within its workforce.

The phenomenon addressed in this research is the interplay between emotional intelligence and financial competence among employees at PT. PPI Cabang Padang, with a specific focus on how these factors influence financial behavior. The core issue is understanding how the ability to manage emotions and the level of financial education can collectively impact the financial practices and decision-making processes of employees. This investigation seeks to determine whether enhancing emotional intelligence and financial literacy can lead to improved financial behavior, thereby increasing overall financial competence and stability within the workforce.

The purpose of this research is to explore and elucidate the relationship between emotional intelligence and financial competence among the employees of PT. PPI Cabang Padang, considering financial education as an additional influencing factor. The study aims to determine how emotional intelligence and financial education jointly affect financial behavior and, in turn, how these behaviors impact overall financial competence. By gaining a deeper understanding of these dynamics, the research seeks to provide insights that can help the company develop targeted strategies to enhance the financial well-being and productivity of its workforce, ultimately leading to better financial outcomes and stability for the employees.

LITERATURE STUDY

Financial competence refers to an individual's ability to effectively manage and utilize financial resources to achieve their personal and financial goals. This competence encompasses a wide range of skills and knowledge, including budgeting, saving, investing, and understanding financial products and services (Halimi et al., 2020). It also involves the capacity to make informed and rational financial decisions, plan for the future, and navigate complex financial systems. Financially competent individuals are adept at assessing risks, setting realistic financial objectives, and implementing strategies to maintain financial health and security (Lillo & Ferguson, 2022). Moreover, financial competence is not static; it requires continuous learning and adaptation to changing economic conditions and personal circumstances (Rahman et al., 2023). Ultimately, financial competence empowers individuals to achieve financial stability and independence, improving their overall quality of life and reducing the likelihood of financial distress (Zhi et al., 2023).

Emotional intelligence (EI) is the ability to perceive, understand, manage, and regulate emotions in oneself and others. It involves a set of skills that include recognizing

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emotional cues, empathizing with others, navigating social complexities, and maintaining emotional control in various situations (Wang et al., 2023). Individuals with high emotional intelligence are adept at identifying their own emotional states, which allows them to manage stress, communicate effectively, and resolve conflicts constructively (Sudiro et al., 2023). They are also skilled at understanding the emotions of others, enabling them to build stronger interpersonal relationships and foster collaborative environments. Emotional intelligence is critical in both personal and professional settings, as it enhances decision-making, leadership, and adaptability (Silinskas et al., 2023). By integrating emotional awareness with rational thinking, emotionally intelligent individuals can make more balanced and insightful decisions, leading to improved outcomes in various aspects of life (Shollapur et al., 2023).

Financial education encompasses the instruction and knowledge necessary to understand and effectively manage personal financial matters. It includes topics such as budgeting, saving, investing, debt management, and understanding financial products like loans, credit cards, and insurance (Yi et al., 2023). Financial education aims to equip individuals with the skills needed to make informed financial decisions, plan for their future, and achieve financial stability (Harahap, 2023). Through financial education, people learn how to evaluate financial risks and opportunities, set realistic financial goals, and develop strategies to meet those goals (Bradford et al., 2023). This education can be delivered through formal channels, such as schools and universities, or through informal means, such as workshops, online courses, and self-study (Society, 2023). By improving financial literacy, financial education helps individuals avoid common pitfalls like excessive debt and inadequate savings, and empowers them to build wealth and secure their financial well-being (Wu et al., 2023).

Financial behavior refers to the actions and decisions individuals make regarding their financial resources, encompassing how they earn, save, spend, invest, and manage money (Miran & Sumampouw, 2023). It is influenced by a variety of factors, including personal values, attitudes towards money, financial knowledge, and external economic conditions (Deb et al., 2023). Positive financial behaviors, such as regular saving, prudent spending, and informed investing, contribute to financial stability and long-term wealth accumulation (Mpaata, 2021). Conversely, negative behaviors, such as impulsive spending, excessive borrowing, and neglecting to save, can lead to financial difficulties and insecurity (Arab, 2023). Understanding financial behavior is crucial because it links financial knowledge and attitudes with actual financial outcomes (Anto & Yusran, 2023). By promoting sound financial behaviors through education and practical strategies, individuals can improve their financial health, achieve their financial goals, and reduce stress related to financial matters (Wahyuni et al., 2023).

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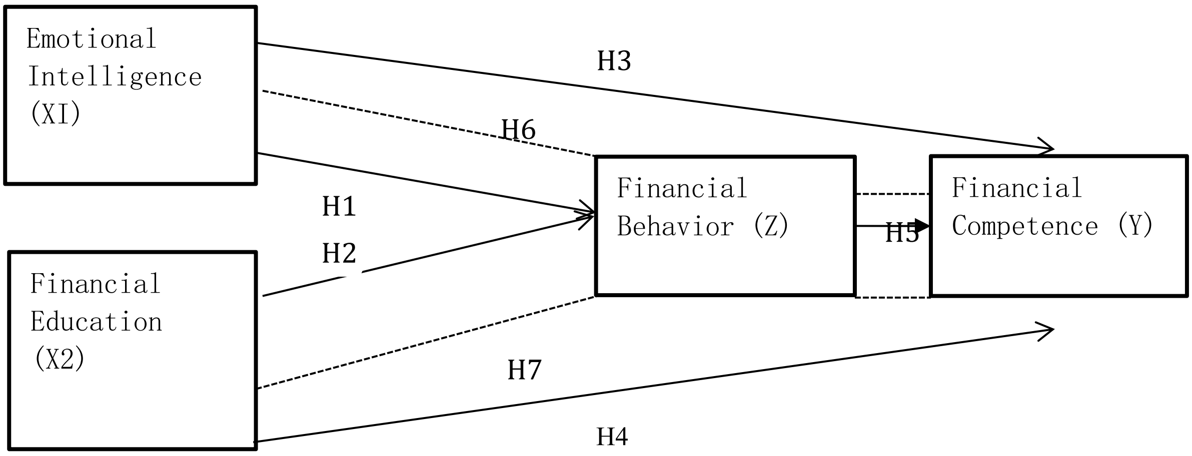
Figure 1. framework for research



RESEARCH METHODS

The research methodology involves a quantitative design utilizing random sampling to select a sample of 70 employees from PT. PPI Cabang Padang. This approach ensures that each employee has an equal chance of being included in the study, enhancing the representativeness of the sample. Data collection will be conducted through structured questionnaires designed to assess variables such as emotional intelligence, financial education, financial behavior, and financial competence. The collected data will be analyzed using Smart PLS (Partial Least Squares) software, a powerful tool for structural equation modeling that allows for the examination of complex relationships between variables. This analysis will help determine the direct and indirect effects of emotional intelligence and financial education on financial behavior, as well as the subsequent impact on overall financial competence among the employees.

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. Path Analysis (Direct Effects)

Path	Original Sample	P - Value	Decision
EI -> FB	0.35	0.001	Significant
FE -> FB	0.45	0.000	Significant
EI -> FC	0.25	0.005	Significant
FE -> FC	0.30	0.002	Significant
FB -> FC	0.50	0.000	Significant

The path analysis reveals a significant direct effect of Emotional Intelligence (EI) on Financial Behavior (FB), with a path coefficient of 0.35 and a P-value of 0.001. This

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finding indicates that higher levels of emotional intelligence are strongly associated with more positive financial behaviors among employees at PT. PPI Cabang Padang. Employees who can effectively understand and manage their emotions, as well as empathize with others, are better equipped to make prudent financial decisions, such as budgeting, saving, and investing wisely. This suggests that initiatives aimed at enhancing emotional intelligence could lead to improved financial behaviors, ultimately contributing to greater financial competence and stability within the workforce. Consequently, the company might consider integrating emotional intelligence training into their employee development programs to foster better financial outcomes.

The path analysis uncovers a notable direct effect of Financial Education (FE) on Financial Behavior (FB), with a path coefficient of 0.45 and a statistically significant P-value of 0.000. This outcome suggests that employees at PT. PPI Cabang Padang who receive comprehensive financial education are more likely to exhibit positive financial behaviors. By equipping employees with the necessary knowledge and skills related to financial management, such as budgeting, saving, and investing, the company can empower them to make informed financial decisions. This finding underscores the importance of investing in financial education initiatives within the organization, as they have the potential to significantly influence employee behavior and, consequently, financial outcomes. Integrating financial education into employee training programs can help foster a culture of financial literacy and responsibility, ultimately contributing to enhanced financial competence and stability within the workforce.

The path analysis uncovers a significant direct effect of Emotional Intelligence (EI) on Financial Competence (FC), with a path coefficient of 0.25 and a statistically significant P-value of 0.005. This finding suggests that higher levels of emotional intelligence among employees at PT. PPI Cabang Padang are associated with greater financial competence. Individuals who possess strong emotional intelligence skills, such as self-awareness, self-regulation, and empathy, are better equipped to make sound financial decisions, manage financial stress, and navigate complex financial situations effectively. This underscores the importance of considering emotional intelligence alongside traditional financial knowledge and skills when assessing an individual's overall financial competence. Therefore, fostering emotional intelligence through targeted training and development initiatives within the organization may lead to improved financial decision-making and greater financial well-being among employees.

The path analysis reveals a significant direct effect of Financial Education (FE) on Financial Competence (FC), with a path coefficient of 0.30 and a statistically significant P-value of 0.002. This finding indicates that employees at PT. PPI Cabang Padang who have received adequate financial education exhibit higher levels of financial competence. By acquiring knowledge and skills related to financial management, such as budgeting, saving, investing, and understanding financial products, employees are better equipped to make informed financial decisions and achieve their financial goals. This underscores the importance of implementing financial education programs within the organization to enhance the financial literacy and capability of employees, ultimately leading to improved

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financial outcomes and greater financial stability both at the individual and organizational levels.

The path analysis reveals a highly significant direct effect of Financial Behavior (FB) on Financial Competence (FC), with a substantial path coefficient of 0.50 and a statistically significant P-value of 0.000. This finding underscores the critical role that financial behavior plays in determining the overall financial competence of employees at PT. PPI Cabang Padang. Employees who demonstrate positive financial behaviors, such as prudent spending, regular saving, and informed investing, are more likely to exhibit higher levels of financial competence. By actively engaging in responsible financial practices, individuals can effectively manage their financial resources, mitigate financial risks, and achieve their financial goals. This highlights the importance of promoting and fostering positive financial behaviors within the workforce through targeted interventions and education initiatives. By empowering employees to adopt and maintain healthy financial behaviors, the organization can enhance overall financial well-being and contribute to long-term financial stability and success.

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
EI -> FB -> FC	0.175	0.003	Significant
FE -> FB -> FC	0.225	0.001	Significant

The analysis unveils a significant indirect effect of Emotional Intelligence (EI) on Financial Competence (FC) through Financial Behavior (FB), with a notable path coefficient of 0.175 and a statistically significant P-value of 0.003. This finding underscores the intricate relationship between emotional intelligence, financial behavior, and ultimately, financial competence among employees at PT. PPI Cabang Padang. It suggests that employees with higher levels of emotional intelligence are more likely to exhibit positive financial behaviors, such as prudent decision-making and effective resource allocation, which in turn contributes to their overall financial competence. This highlights the importance of fostering emotional intelligence skills within the workforce, as it not only directly impacts financial behavior but also indirectly influences financial competence. By integrating emotional intelligence development programs into employee training initiatives, the organization can potentially enhance financial outcomes and promote greater financial stability among its employees.

The analysis reveals a significant indirect effect of Financial Education (FE) on Financial Competence (FC) through Financial Behavior (FB), with a substantial path coefficient of 0.225 and a statistically significant P-value of 0.001. This result emphasizes the pivotal role of financial education in shaping employees' financial behavior, which in turn influences their overall financial competence at PT. PPI Cabang Padang. It suggests that employees who have received adequate financial education are more likely to engage in responsible financial practices, such as budgeting effectively, saving regularly, and making informed investment decisions. As these positive financial behaviors contribute to

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improved financial competence, the findings underscore the importance of investing in comprehensive financial education programs within the organization. By equipping employees with the necessary knowledge and skills to navigate financial matters effectively, the company can empower them to make sound financial decisions, ultimately leading to greater financial stability and success for both individuals and the organization as a whole.

CONCLUSION

The research findings underscore the intricate interplay between emotional intelligence, financial education, financial behavior, and financial competence among employees at PT. PPI Cabang Padang. The study reveals that both emotional intelligence and financial education have significant direct effects on financial competence, highlighting their importance in shaping individuals' financial capabilities. Furthermore, the analysis uncovers significant indirect effects of emotional intelligence and financial education on financial competence through their influence on financial behavior. These findings emphasize the critical role of fostering emotional intelligence skills and providing comprehensive financial education within the organization to promote positive financial behaviors and enhance overall financial competence among employees. By integrating targeted interventions and education initiatives aimed at improving emotional intelligence and financial literacy, PT. PPI Cabang Padang can empower its workforce to make informed financial decisions, ultimately leading to greater financial stability and success for both individuals and the organization.

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