

# Financial Literacy and Spiritual Intelligence: Their Impact on Financial Management Among MSME Restaurant in Dili City

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## ABSTRACT

This study aims to analyze the impact of financial literacy and spiritual intelligence on the financial management of micro, small, and medium enterprises (MSMEs). The aspects of financial literacy explored in this study include financial knowledge, financial attitude, and financial behavior. To achieve this objective, the researcher conducted a study involving 125 restaurants categorized as MSME in Dili, which also serve as the sample for this research. A quantitative approach was employed, using questionnaires as the data collection instrument. The data were analyzed using SMART-PLS 4.0 to test reliability, validity, and hypotheses. The results of this study indicate that the components of financial literacy along with spiritual intelligence, has a positive and significant impact on the financial management of MSMEs, as shown in the P-value of financial knowledge P (0.005), financial attitude P (0.005), financial behavior P (0.000), and spiritual intelligence P (0.000). The P-value of each variable is lower than the standard ( $P < 0.05$ ). The findings show that components of financial literacy, support restaurant entrepreneurs in managing their financial affairs effectively and efficiently, helping them achieve their business goals. Furthermore, spiritual intelligence serves as a source of strength in overcoming financial problems and difficulties. This study contributes valuable insights that can help develop the aspects of financial literacy and spiritual intelligence, which, in turn, can assist MSMEs in improving financial management. Additionally, it provides practical contributions for restaurant managers and MSMEs by enhancing their knowledge, skills, and capacities in strategic decision-making regarding financial management.

**Keywords:** Financial knowledge, financial attitude, financial behavior, spiritual intelligence, financial management.

## 1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the economy and are considered the driving force behind socio-economic development in both developing and advanced nations. On the other hand, MSMEs serve as significant job creators and can act as key contributors to economic development. In most developing countries, MSMEs provide employment opportunities to the majority of the urban population and workforce, contributing to government revenue through taxation (Jennifer & Dennis, 2015; Karadag, 2015; Chepngetich, 2016; Muneer et al., 2017). According to Belo (2019) and J. Belo et al., (2022), MSMEs in Timor-Leste serve as a fundamental pillar of the economy, driving economic transformation, job creation, state revenue generation, and household income improvement. MSMEs operate in sectors such as restaurants, hotels, entertainment, and financial services (Belo, 2019; J. Belo et al., 2022). The researchers' reasons for studying this case in the restaurant were that, based on the results of the study by Belo (2019), the tertiary sector as a service provider was the dominant one between the primary and secondary sectors in the city of Dili.

For businesses or MSMEs to operate effectively, sound financial management is essential to achieve objectives and minimize financial issues (Gunawan & Safira, 2022). Effective financial management can help MSMEs improve business efficiency (Monteiro et al., 2023) and positively impact business continuity (Risnangsih, 2017). If financial management is not properly executed, it can hinder performance and financing (Anggraeni, 2015). Inefficient financial management can reduce business efficiency, which ultimately affects the growth of MSME. Anoo et al (2020) highlight that small business owners need to understand how to implement proper control mechanisms despite limited resources. If these deficiencies are not addressed, businesses may face financial risks and operational failures.

MSMEs in Timor-Leste also face financial management-related challenges. Belo (2019) reports that despite the high number of MSMEs in the country, their growth remains weak. Many businesses go bankrupt due to financial managers' inability to manage, plan, and control finances effectively. In addition to managerial shortcomings, cultural factors also significantly impact MSME sustainability. Timor-Leste's strong social and cultural traditions, such as Fetosa-Humane, Lia-Mate, Lia-Moris, Belis, and Koremetan, contribute to excessive spending. Such consumption habits reduce savings (Belo et al., 2023), especially when business managers do not separate personal and business assets (Hamzani & Achmad, 2016; I. F. de J. M. Belo et al., 2020). Since business owners and managers are often the same individuals (Foghani et al., 2017), there is a tendency to use business revenues for cultural activities, leading to business failure. When businesses face financial difficulties, the psychological well-being of business owners is also affected, leading to depression, lack of focus, insomnia, stress, and hopelessness. Psychological imbalances may result in spiritual poverty. This situation does not only affect those facing financial difficulties but also those who fail to control themselves when prioritizing material wealth. In other words, even if one has financial sufficiency, weak moral and spiritual values can lead to spiritual poverty.

A study by Monteiro et al. (2023) reveals that when restaurants implement sound financial management practices and financial literacy, their growth increases. However, many businesses lack financial literacy, which includes financial knowledge, financial attitude, and financial behavior-essential components that help enterprises manage their financial resources effectively. Additionally, the lack of spiritual intelligence affects business owners' ability to maintain balance between physical and emotional well-being, responsibility, and honesty. It can also lead to demotivation

when facing challenges related to financial management (Butanescu, 2021). This research gap presents a critical opportunity to investigate how financial literacy-including financial knowledge, financial attitude, and financial behavior-along with spiritual intelligence have contributed to reducing financial problems and difficulties faced by MSME actors in negotiation activities.

The author seeks to fill this gap by examining the impact of financial literacy and spiritual intelligence on financial management in MSMEs in Timor-Leste, specifically focusing on restaurants in Dili City. The research will explore how both of these factors affect the financial management of restaurateurs to reach their business objectives in terms of awareness, knowledge, competencies, attitudes, practice, and behaviors. It also allows managers to reside together, to live in harmony, bathe in values, and learn to work with others and work with responsibility and loyalty.

## 2. Theoretical Frameworks

### 2.1. Micro, Small and Medium Enterprises

The small-scale community businesses known as micro, small, and medium-sized enterprises (MSMEs) were founded as a result of individual efforts to boost the economy. Due to their labor-intensive nature, they contribute significantly to state and regional revenues and are essential in lowering unemployment rates because they can hire a lot of workers who would otherwise be unemployed (Lukacs, 2005; Karadag, 2015; Muneer et al., 2017; Risnaningsih, 2017; Gunawan & Safira, 2022; Harahap, 2020). Sidek et al., (2020) define a micro-enterprise as a company that employs fewer than ten (10) people and has assets under \$100,000 USD. A small business employs 10–50 people and has total assets between \$100,000 and \$3 million. In contrast, a medium-sized business employs between 50 and 300 people and has assets ranging from \$3 million to \$15 million. Belo (2019) and J. Belo et al., (2022) confirms that small and medium-sized businesses (SMEs) in Timor-Leste are defined as companies that employ at least five people and operate in industries such as financial services, entertainment, hotels, and restaurants.

### 2.2. Financial Literacy

In the broad sense, financial literacy is a person's potential and skill to participate in activities and to comprehend matters (related to finance) through reading and writing (Gunawan and Safira 2022; Kirumbi 2019; Dwyanti 2024). It is also conceptually characterized as a continuum of awareness, knowledge, skills, attitudes, and behaviors required to affect change in financial decision-making (Razen et al., 2021). On the other hand, it refers to the ability to understand and manage financial resources effectively, making informed judgments that enable individuals to make effective decisions for financial well-being (Nicolini & Haupt, 2019; Santini et al., 2019; Dwyanti 2024; Chaity et al. 2024).

Many MSMEs in Timor Leste, go bankrupt due to financial managers' inability to manage, plan, and control finances effectively. Consequently, financial literacy is

important in helping managers manage their businesses correctly and appropriately. Many researchers have studied the relationship between financial literacy and financial management in MSMEs. Gunawan & Safira (2022) in their study titled *The Effect of Financial Literacy on The Financial Management of MSMEs*, found that financial literacy positively impacts the financial management of MSMEs. Similarly, Aunurrafiq et al., (2022) demonstrated that financial literacy significantly affects financial management in MSMEs. This means that MSME entrepreneurs with good financial literacy in Siak District, Regency Siak, can manage their business finances more effectively. Researchers Rumbianingrum & Wijayangka (2018) also confirmed that financial literacy has a positive and significant influence on financial management. Furthermore, studies such as Coşkuner (2017) and Saadah (2020) found that financial literacy influences financial management in MSMEs. There are also different findings obtained from Gunawan et al., (2020) show that financial literacy does not affect financial management.

#### 2.2.1. Financial knowledge

Financial knowledge refers to the understanding of key financial terms and concepts necessary for daily functioning. It can also be defined as the ability to comprehend financial concepts and terminology that an individual or business needs for daily operations (Huston, 2010; Dwyanti, 2024). Halim & Astuti (2015) define financial knowledge as the capability to comprehend, analyze and control financial condition in making rational decision for financial solution and prevent negative consequence due to arithmetic difficulties. It can, in turn, increase financial management skills beyond financial knowledge. According to Keller, cited in Arifin et al., (2017) refers financial knowledge can be gained through an education feature or system, which include the formal like school and all kind of meeting, and also to informal once such as from parents, work colleague, working background, own experience. Financial literacy can be defined as a sort of capital which an individual possesses in the form of knowledge saving and spending patterns (Potrich et al., 2016). To measure financial knowledge, the author uses several indicators including source of finance, risk and return, and diversification, which relate to the ability to assess risk and allocate budgets for investments to generate returns (Kirumbi, 2019; Singh & Wasdani, 2014).

#### 2.2.2. Financial Attitude

Financial attitude, according to Rai, (2017), are defined as an individual's personal tendencies towards financial matters, such as the ability to plan for the future and maintain an essential savings account. In addition, Anthony et al., (2011) describe financial attitude as the creation of value in decision-making and resource management through the application of financial principles, and Amagir et al., (2020) also define financial attitude as an individual's attitude toward money, including saving for the future, planning for emergency savings, and long-term financial planning. Financial knowledge influences an individual's thoughts and opinions, guiding financial decision-making practices

(Dwiastanti, 2017). Bhushan & Medury (2014) concluded that improving financial literacy requires developing a favorable financial attitude. Rai (2017) identified financial attitude as a result of specific behaviors and attitudes that individuals adopt in financial decision-making.

Indicators used to measure financial attitude include risk-taking, long-term vs. short-term orientation, social factors, and training. Risk-taking and long-term vs. short-term orientation involve financial goal setting, making the right decisions to reduce risk, and controlling financial objectives. Social factors include the influence of the social environment and family in improving financial management skills. Training refers to financial skills training programs (Bhushan & Medury, 2014; Dwiastanti, 2017; Eniola & Entebang, 2016; Khasanah & Irawati, 2022; Kirumbi, 2019; Rai, 2017).

### 2.2.3. Financial Behavior

Financial behavior is the ability to understand and capture the effects of financial decisions on an individual's circumstances, helping them make the right choices in financial planning and management (Monteiro et al., 2023). Various studies have concluded that financial behavior can be consistently predicted through financial literacy (Hung et al., 2009). According to Sucuahi (2013) good financial behavior involves the ability to make financial decisions that increase wealth and prevent business and individual uncertainties. This includes generating financial assets, avoiding over-indebtedness, and ensuring long-term financial security. Grohmann et al., (2014) argue that good financial behavior enables diversification of financial resources into various investments, considering different levels of risk.

Indicators used to measure financial behavior include budgeting and planning, saving, and record-keeping. Budgeting and planning involve setting financial goals, monitoring financial resources, accessing various financial sources, and evaluating inflation's impact. Saving and record-keeping include saving, planning business growth, and minimizing credit use (Kirumbi, 2019; Sucuahi, 2013).

### 2.3. Spiritual intelligence

Spiritual intelligence is the intelligence that provides meaning and encourages individuals to achieve positive goals (Wulansari & Yuhertiana, 2021). Zohar & Marshal (2001) define spiritual intelligence as a moral sense, the ability to adjust to strict rules while maintaining comprehension and insight. This intelligence enables individuals to recognize their limits and make ethical decisions to prevent undesirable outcomes. Spiritual intelligence also serves as a means to judge meaningful and valuable life actions. Spiritual intelligence is described as the intelligence of the soul, associated with wisdom and the ability to shape values, meaning, and purpose. Research by Ayranci (2011) suggests that spiritual intelligence is needed to face and resolve challenges related to values (Sina & Noya, 2012; Lestari, 2020). According to Ronel (2008), Ayranci (2011) and Butanescu (2021) highlight key values for overcoming financial difficulties, including faith, humility, gratitude,

responsibility, emotional control, forgiveness, and self-discipline.

Indicators used to measure spiritual intelligence include self-consciousness, challenge, and holistic view. Self-consciousness refers to the ability to recognize personal weaknesses and express oneself. Challenge includes ways to face difficulties and problems with wisdom. A holistic view relates to one's connection with nature, the ability to see problems clearly, and the recognition that everything is interconnected (Ayranci, 2011; Sina & Noya, 2012; Dwiastanti & Wahyudi, 2022).

### 2.4. Financial management

Financial management theory asserts that management decisions determine whether an organization succeeds or fails (Brigham and Ehrhardt, 2013). A deeper comprehension of financial management aids MSMEs in identifying financial opportunities and mitigating risks when formulating long-term financial strategies and also as a widely used tool for making reliable and effective business financial decisions, including cash acquisition, expenditures, and budgeting (Dwyanti, 2024). Financial management is the process of planning, analyzing, and controlling financial activities and also helps entrepreneurs apply financial principles in practice and achieve business objectives (Glick, Guo, and Hutchison, 2006; Aunurrafiq et al. 2022). On the other hand, financial management is a way to manage money, involving three main aspects: consumption, savings, and investment. Therefore, financial management activities must be carried out carefully (Dwyanti, 2024; Purwidianti & Mudjiyanti, 2016; Safryani et al., 2020).

The indicators used to measure financial management consist of financial planning/budgeting, financial recording and reporting, and financial control. Financial planning/budgeting includes budget planning and allocation based on a budget that does not exceed revenue. Financial recording includes registering business activities such as sales, expenses, inventory, and tax-related expenditures, as well as acquisition records and tax payments. Financial reporting consists of preparing and compiling reports, balancing accounts, and fulfilling obligations to submit reports to government agencies. Meanwhile, financial control relates to the verification of financial reports, comparing revenue and expenses, and conducting evaluations based on financial plans (Abanis et al., 2013; Anos et al., 2020; Aunurrafiq et al., 2022).

## 3. Conceptual Framework and Hypotheses

### 3.1. Financial knowledge and financial management

One crucial asset that can significantly affect financial management is financial knowledge (Huston, 2010; Dwyanti, 2024). According to Halim & Astuti (2015), financial knowledge is the capacity to understand, analyze, and manage finances in order to make wise financial decisions and stay out of trouble. Additionally, research shows that a quality education can improve financial literacy, which in turn can result in improved and more efficient money

management. Furthermore, financial management abilities can be further enhanced by financial knowledge. Rumbianingrum & Wijayangka (2018) highlight that financial knowledge helps entrepreneurs effectively manage financial management in micro, small, and medium enterprises (MSMEs).

Financial knowledge plays a critical role in decision-making, as it helps individuals to make more effective decisions (Robb, 2014). Lusardi & Mitchell (2008) cited by Monteiro et al., (2023), argue that financial knowledge influences key outcomes such as loans, savings, investments, and future retirement planning. Furthermore, according to Dwyanti (2024), the knowledge gained regarding basic financial concepts helps MSMEs make better financial decisions, providing the basis for more accurate budget planning, more efficient risk management, and more optimal allocation of financial resources.

Wulansari & Yuhertiana (2021) stated that financial knowledge is important for MSMEs because it helps entrepreneurs develop business strategies, particularly in revenue and expense recording. Through financial knowledge, MSME actors can better manage financial management, ensuring business sustainability. Therefore, financial knowledge is vital for enterprises, as it helps entrepreneurs use financial knowledge effectively, leading to business success and achieving business goals (Lusardi & Mitchell, 2014). This research is supported by previous studies (Abanis et al., 2013; Anggraeni, 2015; Coşkuner 2017; Rumbianingrum & Wijayangka, 2018; Saadah, 2020; Aunurrafiq et al., 2022; Gunawan & Safira, 2022).

*H1. Financial knowledge has a positive and significant impact on financial management in MSMEs in the restaurant industry in Dili, Timor-Leste.*

### 3.2. Financial Attitude and Financial Management

Financial attitude is important for entrepreneurs in managing their businesses because it shapes how they spend, save, keep, and use money (Sandi et al., 2020). According to Eniola & Entebang (2016), the profitability of a business can be enhanced through a positive financial attitude, such as risk awareness, time orientation, environmental social factors, and education. Gaining more knowledge about financial management benefits entrepreneurs as it facilitates the practical application of financial concepts. An entrepreneur's financial attitude improves through access to adequate information.

Entrepreneurs' attitudes, especially those of MSMEs in the financial sector, are useful in understanding aspects related to their own identity and finances. Financial attitude can therefore be interpreted as thoughts, arguments, and interpretations about finance applied through attitudes. Applying financial philosophies helps to achieve and maintain values in decision-making and in managing appropriate resources related to financial management (Khasanah & Irawati, 2022).

A study by Khasanah & Irawati (2022) shows that financial attitude has a positive and significant impact on financial management. This is supported by studies from

Eniola & Entebang, (2016); Sandi et al., (2020); Susan, (2020); Beureukat & Setyawati, (2022).

*H2. Financial attitude has a positive and significant impact on financial management among MSMEs in the restaurant industry in Dili, Timor-Leste.*

### 3.3. Financial Behavior and Financial Management

Financial behavior relates to an individual's responsibility in how they manage their finances (Purwidiyanti & Mudjiyanti, 2016). A person's behavior affects their financial well-being (OECD/INFE, 2016). Therefore, it is essential to highlight the financial behavior dimension when measuring financial knowledge. Individuals with good financial behavior are more likely to participate in stock and financial markets, save actively, make payments, evaluate and take care in selecting financial products, prefer saving over borrowing during crises, access self-assessment financial products, plan for retirement, and engage in other financial habits related to financial behavior (Garg & Singh, 2017). Sucuahi (2013) also stated that good financial behavior involves the ability to make financial decisions that increase wealth and prevent business and personal uncertainty and then support the financial management. These behaviors help generate financial assets, prevent over-indebtedness, and ensure long-term stability. Grohmann et al., (2014) argue that good financial behavior allows individuals to achieve diversified wealth through different investment types, each with its own risk. A strong financial foundation in a business owner is a significant factor for success and growth in a competitive environment (Lusardi & Mitchell, 2008).

Many researchers have studied the relationship between financial literacy-comprising financial behavior-and financial management in MSMEs. These studies show that financial literacy positively and significantly impacts financial management in MSMEs (Abanis et al., 2013; Coşkuner 2017; Rumbianingrum & Wijayangka, 2018; Saadah, 2020; Aunurrafiq et al., 2022; Gunawan & Safira, 2022).

*H3. Financial behavior has a positive and significant impact on financial management among MSMEs in the restaurant industry in Dili, Timor-Leste.*

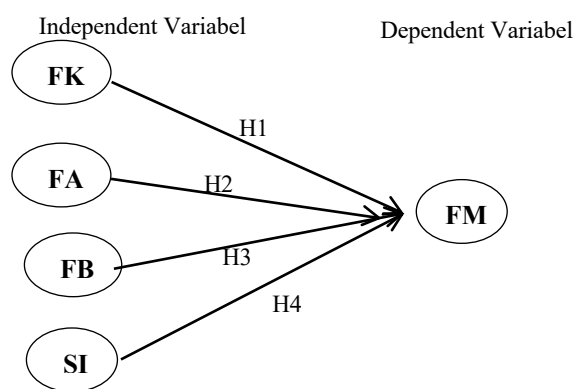
### 3.4. Spiritual Intelligence and Financial Management

Spiritual intelligence is a form of intelligence that provides meaning and encourages the pursuit of positive goals. In relation to financial management, spiritual intelligence motivates entrepreneurs to set financial goals and manage finances appropriately and correctly, thereby helping to avoid tendencies toward financial accumulation. Moreover, spiritual intelligence encourages positive attitudes such as responsibility, independence, honesty, and openness to opportunities for optimizing financial freedom (Sina & Noya, 2012; Dwiastanti & Wahyudi, 2022). On the other hand, Butanescu (2021) revealed that spiritual intelligence helps individuals live harmoniously, uphold spiritual values, collaborate with others, and fulfill responsibilities with loyalty and commitment, thereby achieving organizational financial management objectives. This positive attitude can

help MSME managers in dealing with difficult situations and challenges in financial management with fortitude.

A study conducted by Sina & Noya (2012) on spiritual intelligence and financial management in MSMEs and found that there is a positive and significant relationship between spiritual intelligence and financial management. This finding supported by other researchers including Ayranci, (2011); Lestari (2020); Dwiastanti & Wahyudi, (2022). However, it is different from the results of research Faridawati & Silvy, (2019) which shows that spiritual intelligence has a positive but not significant effect on financial management.

*H4. Spiritual intelligence has a positive and significant impact on financial management among MSMEs in the restaurant industry in Dili, Timor-Leste.*



**Figure 1.** Conceptual Framework

(Sina & Noya, 2012; Anggraeni, 2015; Rumbianingrum & Wijayangka, 2018; Kirumbi, 2019; Lestari, 2020; Saadah, 2020; Wulansari & Yuhertiana, 2021; Anurrafiq et al., 2022).

Independent variable = FK: Financial Knowledge, FA : Financial Attitude, FB : Financial Behavior, SI : Spiritual Intelligence. Dependent Variable = FM : Financial Management

#### 4. Research Methods

The objective of this study is to test the impact of financial literacy and spiritual intelligence on financial management in MSMEs, using data from 125 returned questionnaires. The researcher used a census method to allow for accurate and reliable analysis, therefore, managers from 125 restaurants were given the opportunity to be respondents and (Sekaran & Bougie, 2016). This research was conducted in restaurants in the municipality of Dili for the reason that Dili is considered the business center and also provides easier access to data, thus enabling the research to be conducted efficiently. This research uses a quantitative descriptive approach, using well-structured questionnaires to collect data on components of financial literacy, spiritual intelligence and financial management. The questionnaires were adapted from established instruments used by Sina & Noya (2012), Anggraeni (2015), Rumbianingrum & Wijayangka (2018), Kirumbi (2019) Lestari (2020), Saadah (2020), Wulansari & Yuhertiana, (2021), Anurrafiq et al., (2022); and Dwyanti (2024), ensuring both reliability and contextual relevance for

the Timor-Leste setting. While no pre-testing was conducted, the reliability of these tools had been validated in previous studies. Recent literature emphasizes the importance of adapting questionnaires for cultural and contextual appropriateness, which enhances data accuracy in cross-cultural research (Oliveira et al., 2024).

This study gathered secondary data regarding the total number of restaurants in Dili from SERVE, IADE, and relevant public institutions with the authority to register and issue licenses to commercial entities in Timor-Leste. Primary data were collected on respondents' perceptions of financial literacy, spiritual intelligence, and financial management among MSMEs, specifically from restaurant managers or owners in Dili. Primary data were obtained using questionnaires and were also used to test the relationships between variables. The researcher used a Likert Scale ranging from 1 to 5. Data collection was carried out in the field during October 2023, followed by data coding, data entry, data cleaning, and data analysis, which began in December 2023. The analysis was conducted using SMART-PLS 4.0 to test reliability, validity, and hypotheses.

Reliability testing was conducted to prove the accuracy and consistency of the research instrument. To test reliability, Composite Reliability (CR) was used. Reliability is considered acceptable if the CR value is greater than 0.7 (Saldanha et al., 2018, Hair et al., 2021). Discriminant validity of indicators was examined using the Fornell-Larcker Criterion (FL) and considered valid if the value is less than 0.85 or 0.90 (Henseler et al., 2015, Saldanha et al., 2018). Convergent validity of the model was assessed through the correlation between indicator scores and construct scores. The parameter for convergent validity includes an Average Variance Extracted (AVE) value of  $\geq 0.50$  and Outer Loading (OL) value of  $> 0.7$  (Hair et al., 2021). Path coefficient testing was used to test the hypothesis on the relationship between variables, which may have either a positive or negative direction. Path coefficient ( $\beta$ ) values range from -1 to 1. A value between 0 and 1 indicates a positive relationship, whereas a value between -1 and 0 indicates a negative relationship. Statistical significance testing was conducted using bootstrapping to compare the T-calculated value with the T-table value. The T-calculated value must be greater than the T-table value. The level of significance is 5% or 0.05, with a T-table value of 1.96 (Saldanha et al., 2018, Hair et al., 2014, 2021).

#### 5. Results and Analysis

##### 5.1. Demographic Characteristics of Respondents

The sample for this research consisted of 125 restaurant managers in Dili, distributed across the administrative posts of Vera Cruz (22.4%), Dom Aleixo (51.2%), Nain Feto (15.2%), and Cristo Rei (11.2%). In terms of nationality, 60.8% of the respondents were Timorese, while 39.2% were foreigners. Gender distribution was relatively balanced, with 51.2% male and 48.8% female participants. Regarding age, 4% were between 17 and 25 years old, 24% were between 26 and 35, 56% were aged 36 to 45, 8.8% were between 46 and 55, and 7.2% were 56 years and above. In terms of

educational attainment, 4% had completed pre-secondary education, 26.4% had secondary education, 54.4% held a bachelor's degree, 8.8% had a master's degree, and 6.4% had other forms of education.

**5.2. Reliability Test**

The reliability test was used to prove the internal consistency of the relationships between indicators and variables in this research model. Typically, the test uses a Composite Reliability (CR) value of >0.7 (Saldanha et al., 2018, Hair et al., 2021).

In this study, the author used Composite Reliability (CR) to assess the accuracy and consistency of the research instrument, using the SMART-PLS 4.0 Algorithm. Table 1 shows the results indicating that all CR values are greater than 0.70. According to Saldanha et al., (2018) and Hair et al., (2021) an indicator is considered reliable when CR > 0.70. Therefore, it can be concluded that all indicators in this model are reliable for testing the inner model.

**Table 1.** Reliability and Validity Test

Item	Composite reliability (CR)	Average variance extracted (AVE)
FA	0,798	0,569
FB	0,769	0,628
FK	0,808	0,587
FM	0,855	0,541
SI	0,843	0,519

**5.3. Validity Test**

Generally, there are two types of validity tests: convergent validity and discriminant validity. Convergent validity in a model is measured through indicators by examining the correlation between indicator scores and the construct score. Convergent validity is assessed using the parameter of outer loading (OL), which is considered valid when  $OL \geq 0.70$  and Average Variance Extracted (AVE) value of  $\geq 0.50$  (Saldanha et al., 2018, 2019, Hair et al., 2021). Figure 2 shows the result of SMART-PLS 4.0 test, which indicate that all OL values are greater than 0.7, and AVE values are all above 0.50. This signifies that all indicators are valid based on convergent validity, and therefore, can be used to test the relationships between variables (inner model measurement).

Discriminant validity is assessed using the Fornell-Larcker Criterion (FL), and it is considered valid when the FL value is less than 0.85 or 0.90 (Henseler et al., 2015, Saldanha et al., 2018).

**Table 2.** Fornell-Larcker Criterion

	FA	FB	FK	FM	SI
FA	0,754				
FB	0,614	0,793			
FK	0,297	0,218	0,766		
FM	0,661	0,724	0,400	0,735	
SI	0,464	0,549	0,151	0,664	0,720

Based on the test results for discriminant validity using the Fornell-Larcker Criterion, the highest value was 0.754, which means the FL value is below the threshold of 0.85 or 0.90 (as shown in Table 2). Therefore, all latent variables are considered valid when measured through discriminant validity, and all indicators are valid based on the Fornell-Larcker Criterion.

**5.4. Coefficient of Determination Test**

The coefficient of determination ( $R^2$ ) is a parameter used to observe how strongly the independent variables (IVs) can explain or predict the dependent variable (DV). When  $R^2 > 0$ , it indicates that there is predictive power; when  $R^2 < 0$ , it indicates no predictive power. An  $R^2$  value of 0.25 is considered weak, 0.50 is considered moderate, and 0.75 is considered strong (Hair et al., 2014, 2021). Based on Table 3, the  $R^2$  value for the variable financial management is 0.712. This indicates that the variables financial knowledge, financial attitude, and financial behavior can explain 71.2% of the variance in financial management. Therefore, it can be concluded that the model is strong.

**Table 3.** Coefficient of Determination ( $R^2$ )

	R-square	R-square adjusted
FM	0,712	0,702

**5.5. Hypothesis Test**

In this study, the first hypothesis test examined the impact of financial knowledge on financial management. Financial knowledge consists of components such as source of finance, diversification, and risk and return, while financial management includes financial planning/budgeting, financial recording and reporting, and financial control. Based on the results from the SMART-PLS 4.0 analysis, table 4 shows that the path coefficient  $\beta$ -value (0.205) indicates a positive relationship between variable and the T-value (2.795) exceeds the critical value for statistical significance ( $T > 1.96$  at a 95% confidence interval). Moreover, the P-value (0.005) is less than the standard threshold for statistical significance ( $P < 0.05$ ) (Saldanha et al., 2018, Hair et al., 2017, 2021). These results confirm that financial knowledge has a positive and significant impact on financial management, thus supporting the first hypothesis (H1).

The second hypothesis tested the impact of financial attitude on financial management. Financial attitude consists of controlling, social factors, and training. Table 4 shows that the  $\beta$ -value (0.255) indicates a positive relationship, the T-value is 2.792 and the P-value (0.005) signifies statistical significance (Saldanha et al., 2018; Hair et al., 2017, 2021).

These findings confirm that financial attitude has a positive and significant impact on financial management, thereby supporting the second hypothesis (H2).

The third hypothesis tested the impact of financial behavior on financial management. Financial behavior includes budgeting and planning, and savings. Table 4 shows that the  $\beta$ -value (0.360) is a positive relationship, the T-value (5.401) and the P-value (0.000) are statistically significant

(Saldanha et al., 2018; Hair et al., 2017, 2021). These results confirm that financial behavior has a positive and significant impact on financial management, supporting the third hypothesis (H3).

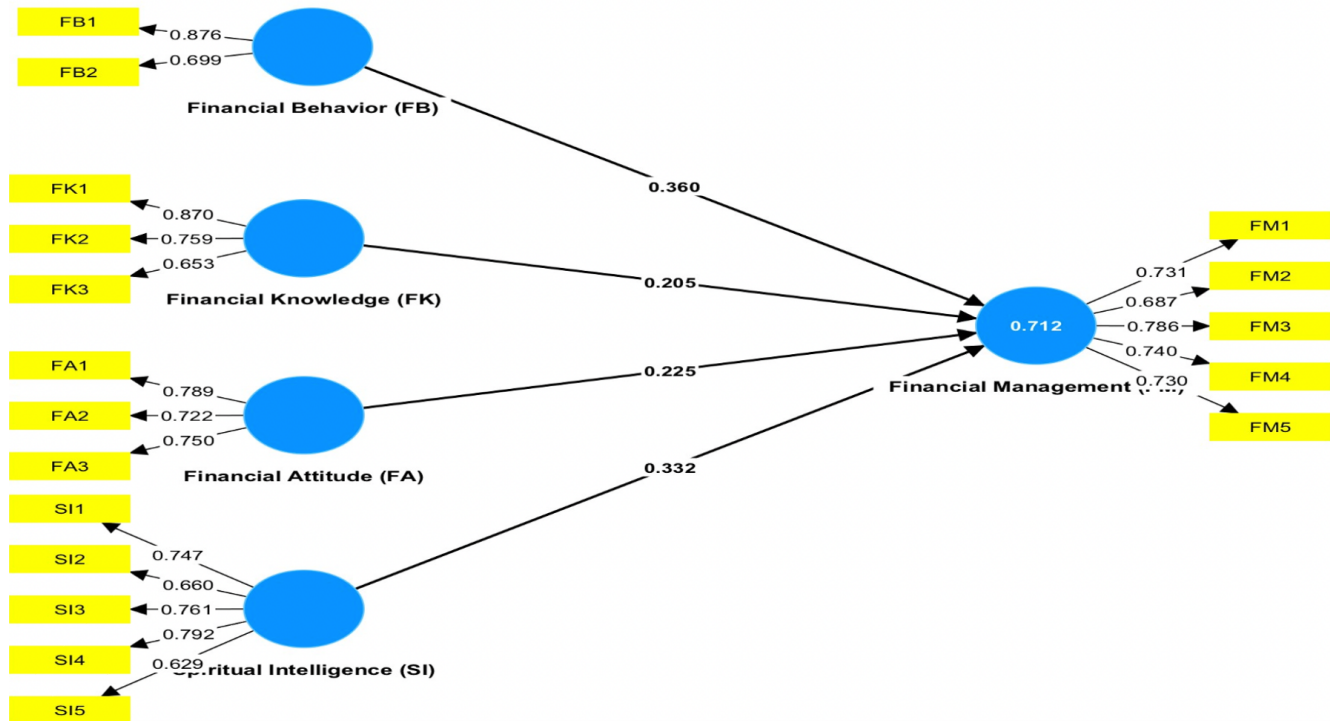


Figure 2. Outer Loading

The fourth hypothesis tested the impact of spiritual intelligence on financial management. Spiritual intelligence comprises self-consciousness, facing challenges, and a holistic view. Table 4 shows that the  $\beta$ -value (0.332) is a positive relationship, the T-value (4.621) and the P-value

(0.000) testifies to statistical significance (Saldanha et al., 2018, Hair et al., 2017, 2021). Based on these results, it is confirmed that spiritual intelligence has a positive and significant impact on financial management, thus supporting the fourth hypothesis (H4).

Tabela IV. Path Coefficient

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P-values	$\beta$ -values	Description
FK -> FM	0.205	0.200	0.073	2.795	0.005	0.205	Positive and Significant
FA -> FM	0.225	0.215	0.081	2.792	0.005	0.225	Positive and Significant
FB -> FM	0.360	0.355	0.067	5.401	0.000	0.360	Positive and Significant
SI -> FM	0.332	0.335	0.072	4.621	0.000	0.332	Positive and Significant

## 6. Discussion

### 6.1. The Impact of Financial Knowledge on Financial Management

The primary objective of this research is to test the impact of financial knowledge on financial management among restaurants in Dili. Financial knowledge is measured using indicators such as source of finance, diversification,

and risk and return, while financial management is assessed through indicators like financial planning/budgeting, financial recording and reporting, and financial control. The research results confirm that financial attitude has a positive and significant impact on financial management. This finding consistent with research by Abanis et al. (2013) and Saadah (2020), who concluded that restaurant managers in Dili have the ability to understand, analyze, and manage

finances, enabling them to make financial decisions and avoid risks that may lead to bankruptcy.

Descriptive results indicate that the academic background of restaurant managers with most having a bachelor's degree, possess sufficient knowledge and skills to manage their businesses, as seen from their academic background. This demonstrates that managers have a clear idea of how to run a restaurant to generate profits and the capacity to overcome financial management challenges (Wulansari & Yuhertiana, 2021). Dwyanti (2024) emphasized that people who have good financial knowledge can make better financial decisions, including appropriate budget planning, effective risk management, and optimal resource allocation.

This study revealed that managers allocate funds for certain investments. Entrepreneurs are capable of managing budgets for investments that can generate profits in the future. Although investments carry high risks, with their capacity and creativity, managers can deal with challenges using appropriate skills and knowledge (Halim & Astuti, 2015). To mitigate risk, Aunurrafiq et al. (2022) emphasized that investments are made in various assets, which helps ensure business continuity and financial management. Managers also have a clear understanding of return levels, knowing that higher risks usually result in lower certainty. Hence, restaurant managers possess deep knowledge to understand, analyze, and manage finances, enabling them to make effective financial decisions and protect the business from financial problems (Kirumbi, 2019; Singh & Wasdani, 2014; Wulansari & Yuhertiana, 2021; Aunurrafiq et al., 2022; Gunawan & Safira, 2022).

The statistical analysis presented shows that the relationship between financial knowledge and financial management is positive and significant. These results are consistent with previous research conducted by Abanis et al., (2013); Anggraeni, (2015); Coşkuner (2017); Rumbianingrum & Wijayangka, (2018); Saadah, (2020); Aunurrafiq et al., (2022); Gunawan & Safira, (2022). This shows that restaurant managers need to have financial knowledge to support them in investment matters, the ability to overcome financial problems, the ability to make decisions based on wise considerations, and the ability to manage finances well and wisely.

## 6.2. The Impact of Financial Attitude on Financial Management

The next objective is to test the impact of financial attitude on financial management among restaurants in Dili. Financial attitude is measured by controlling finance, social factors, and training. Study's results indicated that financial attitude has a positive and significant impact on financial management. This emphasizes the need for restaurant managers in Dili must pay attention to financial attitudes as a way of managing spending, saving, storing, and using money by controlling business activities, which, according Khasanah & Irawati (2022), is very important to stabilize financial management.

On the other hand, social life plays a role in helping managers shape financial attitudes and develop appropriate

skills for financial management (Sandi et al., 2020). Wagner & Walstad, (2018) also affirm that people with good and correct attitudes make more effective financial decisions, which positively impact long-term consumption planning. This research supports previous studies showing that financial attitude has a positive and significant impact on financial management among MSMEs (Eniola & Entebang, 2016; Sandi et al., 2020; Susan, 2020; Beureukat & Setyawati, 2022; Khasanah & Irawati, 2022).

Descriptive results show that restaurant managers prioritize controlling expenses to maintain a balance between income and expenditure. Many managers, both Timorese and foreign, are concerned about having a controlled attitude. Despite Timorese social culture-such as practices like fetosa-humane, lia-mate, lia-moris, belis, and other customs-that involve high spending (Belo et al., 2023), Foghani et al., (2017) underlined that managers with academic backgrounds (master's, bachelor's, and secondary levels) are able to distinguish business and family expenses, especially among business owners. Managers of productive age are full of creativity and inspiration in their businesses and can separate personal and business assets, ensuring sustainability and profitability (Hamzani & Achmad, 2016). This aligns with findings by Kirumbi (2019) and Monteiro et al., (2023) who stated that restaurant managers have adopted efficient attitudes and methods to manage and control current finances, enabling them to plan for the future and make good decisions to protect the business from bankruptcy risks.

Additionally, results also show an attempt to establish a relationship between the social business environment and its effect on the manager's financial attitude. Based on these results, most Timorese and a few foreign managers of productive-age, filled with energy, gain major contributions from the social environment in developing their financial skills. Academic experience also helps managers view the social environment positively, enabling them to sustain their business operations. These results align with those of Beureukat & Setyawati (2022) and Khasanah & Irawati (2022) who found that restaurant managers' financial abilities were influenced and supported by their social environment and relatives, which assists them in proper financial management. On the other hand, Dwyanti, (2024) and Sandi et al., (2020) reminded that manager's participation in financial skills training programs is essential for business activities and serves as a key determinant of financial literacy.

From these findings, it is evident that financial attitude greatly assist restaurant managers in Dili in adopting the right attitude in managing finances by controlling expenses and income, separating personal and business assets, and developing financial skills through training, ensuring sustainability and profitability (Beureukat & Setyawati, 2022; Sandi et al., 2020).

## 6.3. The Impact of Financial Behavior on Financial Management

The third objective of this research is to examine the impact of financial behavior on financial management in

restaurant Dili. Financial behavior is measured using indicators such as budgeting and planning, and savings. The research results confirm that financial behavior has a positive and significant impact on financial management. This shows that restaurant managers with a clear and fixed plan can monitor budget allocation according to business objectives, which helps reduce risks that could threaten the business with bankruptcy. Additionally, restaurant managers use savings to address emergency needs, secure the future of the business, and reduce dependence on credit (Aunurrafiq et al., 2022; Kirumbi, 2019; Sucuahi, 2013).

The descriptive results reveal that restaurant managers in Dili place great importance on preparing written financial goals for everything they want to achieve. This idea is also reported by Garg & Singh (2017) who state that financial objectives act as a pathway to achieving business success effectively and efficiently. Individuals with good financial behavior are more likely to participate in the stock market and financial markets, save actively, make payments, assess, and take care of financial products, and prefer savings over loans during crises, in addition to assessing high-return products, retirement plans, and other financial products related to financial behavior. Similarly, Aunurrafiq et al., (2022) emphasize that business activities are based on the financial objectives already identified. The research results show that restaurant managers, composed of both Timorese and foreign nationals, have clear and fixed plans to monitor budget allocation according to business objectives. Most managers with a bachelor's degree have the knowledge and capacity to plan and implement budgets, focusing on financial decision-making, based on the objectives set to minimize risks. Grohmann et al., (2014) argue that good financial behavior can lead to wealth diversification through various investments, in line with financial goals.

On the other hand, the results show that restaurant managers use savings to meet emergency needs, secure the future of the business, and reduce dependence on credit. Abanis et al., (2013) and Anoo et al., (2020) report that financial reports and comparisons between income and expenses allow managers to conduct financial evaluations, save for urgent needs, and plan for the future. Based on clarifications from restaurant managers in Dili, they save for the future, family needs, and other personal purposes, in addition to using income to support business operations. Despite their ability to manage income, some managers still struggle with spending, but continue to make investments and save.

These results support previous studies that show a positive and significant impact of financial behavior on financial management in MSMEs (Abanis et al., 2013; Coşkuner 2017; Rumbianingrum & Wijayangka, 2018; Saadah, 2020; Aunurrafiq et al., 2022; Gunawan & Safira, 2022), reinforcing these findings and highlighting that financial behavior is important for avoiding losses, optimizing profits, and achieving financial goals.

#### **6.4. The Impact of Spiritual Intelligence on Financial Management**

The last objective of this research is to test the impact of spiritual intelligence on financial management in restaurants in Dili. Spiritual intelligence is measured by indicators such as self-consciousness, challenge, and holistic view. The research results confirm that spiritual intelligence has a positive and significant impact on financial management. This shows that restaurant managers with spiritual intelligence can improve teamwork, increase harmony, foster values, collaborate with others to perform work responsibly, and maintain loyalty and commitment in the company, thus contributing to moral motivation and encouraging effective financial management in the company (Butanescu, 2021).

The descriptive results reveal that most restaurant managers carry out business activities not only with intellectual capacity and skills but also with spiritual experience, wisdom, positive interpretation, and the ability to approach problems clearly. Moreover, the respondents answered calmly when faced with challenges and problems (Ayranci, 2011; Butanescu, 2021). The results also show that restaurant managers handle problems, difficulties, and challenges in business activities through prayer, meditation, reflection, and knowledge sources. Furthermore, managers know how to control emotions to remain calm when facing challenges (Ayranci, 2011). These results support previous studies that show a positive and significant impact of spiritual intelligence on financial management in MSMEs (Ayranci, 2011; Sina & Noya, 2012; Lestari, 2020; Dwiastanti & Wahyudi, 2022). There are also different findings obtained from Mukaroh & Nani (2021) show that spiritual intelligence does not affect financial management.

Spiritual intelligence supports entrepreneurs in managing business finances and improving performance (Wulansari & Yuhertiana, 2021). According to Rostami et al., (2014) spiritual intelligence plays a significant role in management. In relation to financial management, spiritual intelligence encourages the establishment of goals and managing finances in a way that avoids tendencies for financial accumulation. Additionally, spiritual intelligence has a positive effect on attitudes such as responsibility, independence, honesty, and an openness to financial freedom optimization opportunities (Sina & Noya, 2012). The results show that restaurant managers' self-consciousness helps them identify personal weaknesses, express themselves, and engage in positive social interactions, which can improve business operations (Ayranci, 2011; Sina & Noya, 2012; Dwiastanti & Wahyudi, 2022).

Furthermore, the results indicate that restaurant managers approach problems, difficulties, and challenges in business activities through prayer, meditation, reflection, and knowledge sources. Additionally, managers are able to control emotions to stay calm when facing challenges. Restaurant managers' connection with nature and their ability to view problems clearly and manage tasks integrally help them face and overcome difficulties and all business problems (Ayranci, 2011; Sina & Noya, 2012; Dwiastanti & Wahyudi, 2022).

## 7. Conclusions and implications

The research conducted on restaurant managers in Dili shows that the aspect of financial literacy and spiritual intelligence, has a positive and significant impact on restaurant financial management. This means that restaurants in Dili are more effective in business activities related to managing budgets, depending on important factors such as the manager's ability to manage, make decisions, and take appropriate measures when encountering problems and difficulties. This can help reduce the risk that could affect bankruptcy.

Financial knowledge contributes significantly to restaurant financial management, aligning with Abanis et al., (2013), Anggraeni (2015), Coşkuner (2017) and Rumbianingrum & Wijayangka, 2018. Recent research Saadah (2020), Aunurrafiq et al., (2022) and Gunawan & Safira, 2022) supports this finding, emphasizing that managers involves the ability and skills to understand, analyze, and manage finances, enabling the design of financial plans and investments that can lead to profits. Even though investments may carry significant risks, the manager's creativity and capacity help them effectively manage these risks and overcoming business challenges.

Additionally, the research shows that the financial attitude of managers impacts restaurant financial management. This conclusion is supported by Eniola & Entebang (2016), Sandi et al., (2020) and Susan, (2020), show Social life, especially cultural practices, can pose a threat to managers if they do not follow budget plans. Therefore, financial attitude is one of the key factors that help managers focus on financial management attitudes, creating the necessary skills to control expenditures, ensuring a balance between income and expenses. Recent studies by Beureukat & Setyawati (2022) and Khasanah & Irawati, (2022) reinforce the importance of financial attitudes in financial management.

Financial behavior also impacts restaurant financial management. The results confirm that it is important for managers to prepare written financial objectives for what they want to achieve. This helps managers create clear, fixed, and effective plans that allow them to monitor budget allocation according to business objectives. This finding is consistent with Saadah (2020), Aunurrafiq et al., (2022) and Gunawan & Safira (2022) emphasizing that financial behavior enables Managers with good financial behavior are save actively, make payments, evaluate and manage financial products, prefer savings over loans during crises, have access to high-quality products, and create pension plans.

The results also indicate that spiritual intelligence plays an important role in restaurant financial management in Dili. Restaurant managers perform business activities not only with intellectual capacity and gifts but also with spiritual experience, wisdom, positive interpretation, and the ability to clearly solve problems. Moreover, managers use methods such as prayer, meditation, reflection, and

historical sources of knowledge to address problems, difficulties, and challenges in business activities. They also know how to control their emotions, remain calm, and face challenges related to restaurant financial management. This finding is support by Ayranci (2011), Sina & Noya (2012) and Dwiastanti & Wahyudi (2022).

## 8. Limitation and Future Research

The researcher acknowledges that this study has limitations, as outlined below: The researcher did not use a pre-test for the questionnaire, because the data analysis used SMART-PLS 4.0, and the questionnaire did not meet the required criteria. Furthermore, this research aimed at examining the impact of financial knowledge, financial attitude, financial behavior, and spiritual intelligence on financial management in MSMEs-restaurant industry. Therefore, the results may not be generalized to other industries.

This study was conducted only in the restaurant industry, meaning that its findings may not be generalized to other types of industries. Future studies could be conducted in other industries with similar research goals to test the relationships between the variables explored in this study.

Restaurants, as MSMEs, provide employment opportunities and can benefit society by reducing unemployment, improving livelihoods, and serving as a source of income for families and the nation. Therefore, it is recommended that the government offer training to restaurant managers to enhance their capacity and knowledge in financial management, which can lead to savings for business continuity and reduce expenditures that do not align with the business plan.

In addition to spiritual intelligence, other types of intelligence can support entrepreneurship, such as emotional intelligence and social intelligence. Therefore, the researcher recommends that future studies also analyze emotional intelligence and social intelligence variables to strengthen entrepreneurs' knowledge, which can help improve financial planning.

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