



## **DO SPIRITUALITY AND RELATED FACTORS INFLUENCE INVESTMENT DECISIONS?**

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### **1. Abstract**

The purpose of this study was to examine the influence of spirituality and related factors on the investments made by practicing individual investors. This paper employed descriptive survey approach and the unit of analysis consisted of individual practicing investors. Data were collected using questionnaires with a sample of 200 respondents. Descriptive statistics, Multiple regression, and Anova have been used for data analysis. The results revealed that religion has the highest influence on investors' investment decisions while spirituality as a whole has negligible impact and is insignificant. It also clarifies that beliefs and culture have a significant impact on investments made by investors. The study offers various policy, strategy and marketing insights for business leaders, brokerage firms, retail investors, financial analysts, and asset management companies. This will help them acquire proper knowledge to make fruitful investments and offer customized investment products to their customers. Further, it also offers a new dimension of studying spirituality and other aspects of investments. The authors believe spirituality has a more universal appeal than what has been suggested by the literature reviewed in this study. Most of the respondents in this study are Hindus, being Indians. It is likely, people belonging to other religions and spiritual groups have their own specific attitudes with respect to investments. The originality of this paper will contribute towards the expansion of existing literature in the area of behavioral finance and spirituality.

**Keywords:** Spirituality, Beliefs, Culture, Religion, Investments, Investors.

### **2. Introduction**

Spirituality is a crucial parameter for determining the quality of life and the physical and psychological health of investors. Unfortunately, the conceptualization of spirituality is misconstrued in research as well as practice. Consequently, investors' spiritual needs and aspirations are not addressed systematically. Spirituality has two dimensions- existential and religious. Essentially, spirituality refers to the idea of self-expression of an individual with special reference to the ethical and moral correctness of the almighty and the universe. Religion is the organized system of beliefs, practices, and ways of worship. Religion is a means to experience spirituality, but tradition and family practices are overpowering in certain cases. So, spirituality and religion are two distinctly individual concepts but can still coexist giving varied purposes to life for people. Investment beliefs also depend on a person's spiritual or religious and cultural affiliation. Culture, values, beliefs, life experiences, and perceived meaning in life determine an individual's perception of gain and loss. Spiritual considerations impact the preservation of one's sense of dignity for which a sense of autonomy and self-perception emerge as mediators. Autonomy refers to an individual's functional and decision-making capacity or a sense of freedom that provides investors the right to make their own decisions. Investment choices relate to the meaning of life, individual duties, and planning for retirement. Investors' decision-making is also impacted by religious, spiritual, and existential beliefs, expectations, values, experiences, and a sense of personal meaning and satisfaction in life. Furthermore, as investors near the end of life, the nature and impact of these personal values may change as well as the decisions he or she needs to make. Therefore, this study aims to explore the influence of spirituality and related factors on investor decision-making by analyzing investors' individual decisions, conflict of interests, and spiritual wellbeing.



### **3. Literature Review**

The decision-making process is a complex exercise and is influenced by many internal and external factors. This research work attempts to study the available literature holistically and covers the existing work related to spirituality related factors and individual investment decisions.

#### **3.1 Spirituality related factors and Investment decisions**

The study of economics based on spirituality can be divided into two categories: macro and micro level. (Anderson,1988) in his macro-level research studied spirituality and economic growth and concluded that both are directly proportional to each other. An increase in spirituality quotient contributes toward increased economic growth. (Lehrer and Chiswick, 1993), (Heaton and Pratt, 1990), (Evans, Cullen, Dunaway, and Burton, 1995), (Bainbridge, 1989), (Cochran and Akers, 1989), (Thornton, Axinn, and Hill, 1992) in their micro-level analysis covered individuals and their decisions like marriage, divorce, alimony, drugs, alcohol, crime, and sex outside marriage. (Weber, 1995) studied spirituality and profit-making capability of an individual and concluded there is a strong relationship between the two as the latter determines individual risk-taking ability. (Gakhar and Prakash, 2013) in their study examined the spiritual orientation and intelligence of investors and suggested they affect their financial decision-making process, behavior, and risk-taking capacity. (La Porta, Lopez-de-Silanes, Shleifer, and Vishny,1999) tested spirituality and religion's impact on individual income and investment only to conclude they determine the income of an individual as they are predictors for the kind of taxation and legal system implemented in a country. (Mansour and Jlassi,2014) analyzed spirituality, an individual's way of life including beliefs and culture, and economic condition and identified they influence his financial behavior. (Zaniarti, Veronica, and Arsyntania, 2021) researched on religion and spirituality and found they partially affect an individual's financial behavior and management. (Shehzad, Awan, and Qureshi, 2014) examined religion, spirituality, set of beliefs, and culture in their research work and concluded they have a significant impact on the investment behavior of Muslim investors in Pakistan. (Niveditasri and Sanmitha, 2020) tested spiritual and religious beliefs and suggested there is an increasing tendency in people to make their financial decisions based on the two predictors. (Jamaludin,2013) studied religion and spirituality in his research work and found they determine the investment choices of both Muslims and non-Muslims in Malaysia. (Sharma, Mehta, and Vyas,2020) researched on the spiritual quotient and culture of investors and suggested it instills the characteristic trait of "responsible investing" in investors. (Al Sahliy and Md Husin,2021) researched spirituality, religiosity, beliefs, culture, and patterns of life and found they act as moderators and affect the investment decisions and patterns of investors. The literature discussed above suggests the importance of spirituality and related factors as a pertinent construct to individual behavior. However, it is important to note that negligible work has been conducted on investments and financial decisions concerning spirituality. As such, little can be said about the robustness of previous findings in other spiritual contexts and cultural settings. (Renneboog & Spaenjers, 2011) concluded a limited number of studies can be found on the role of spirituality within the savings and investment context. Therefore, there is a need to identify whether spirituality and related factors influence the financial decision within the retirement savings and investment context, particularly in an emerging economy like India.

#### **4. Research Gap:**

It is evident from the studied literature that extensive research on the proposed topic has not been conducted. As a consequence, the impact of spirituality and related factors on investors' investment decisions has not been studied in depth. Hence, the study is being conducted to address this research gap.

#### **5. Research Objective:**

To examine the influence of spirituality and related factors on investment decisions taken by individual investors.



## 6. Research Methodology:

A sample questionnaire was designed to fulfill the requirements of the study for the collection of data from primary sources. The scope of the study includes a few cities in India namely Bhubaneswar, Kolkata, Mumbai, Ahmedabad, and Delhi. Based on the review of the literature and identifying the research gap a well-structured closed-ended questionnaire was designed and circulated among the respondents for tapping the different dimensions of ‘spirituality affecting the investment decisions of investors. Out of 250 questionnaires circulated, 230 filled-up questionnaires were collected amounting to approximately 92% of the total questionnaires. After due scrutiny of filled-up questionnaires, 30 questionnaires were found incomplete either concerning demographic or any specific question. The final sample size taken was 200 for the study. A Likert scale has been used for this study ranging between 5 (represents “Strongly Agree”) to 1 (represents “Strongly Disagree”). Various statistical tools have been used for data analysis in this study such as Descriptive Statistics, Multiple Regression Analysis, and Anova.

## 7. Hypothesis

Spirituality has a positive impact on investment of individuals in India (Niveditasri and Sanmitha, 2020). Spirituality significantly impacts the investment decision making of individuals (Hashim and Soumya, 2020). Spirituality is among the major factors affecting individual investments in Western India (Gakhar and Prakash, 2013). Spirituality and investments are directly related to each other. High spirituality leads to less risky investments among investors in the US (Chircop, 2020).

Ha1: Spirituality influences long term investments of an individual.

Beliefs massively influence investments and finances among Americans (Alderman, 2017). Faith is responsible for determining financial and economic decisions at personal level (Mansour, 2014). Beliefs positively influence individual investment decision making in India (Niveditasri and Sanmitha, 2020).

Ha2: Beliefs has a significant impact on the long-term investments of an individual.

Cultural risk theory determines risk perception of an individual and hence, affects the final investment decisions (Alao and Adebawojo, 2012). Cultural dimension moderates the relationship between heuristic biases and investors’ investment decisions (Khan et.al, 2021). Culture along with financial capability results in the final investment decision by investors (Cera,2020).

Ha3: Culture affects long term investments of an individual substantially.

Religious investors make better investment decisions in India (Misra et.al, 2019). Religion is the key influencer in financial and investment decision making among investors in the US (Hillary and Hui, 2009). Highly religious Christians follow the principles of investments preached by Christianity (Parboteeah et.al, 2015).

Ha4: Religion has a lasting impact on the long-term investments of an individual.

## 8. Data Analysis and Findings

The authors attempted to provide details on the respondents’ profiles. The influence of Spirituality and related factors on individual investors’ investments was studied through an empirical analysis.

**Table 1. Description of Respondents**

Demographic Features		Frequency	Percentage
Sex	Male	170	85.00%
	Female	30	15.00%
Age	21-30	60	30.00%
	31-40	110	55.00%
	41-50	20	10.00%
	51-60	10	5.00%
Marital Status	Married	160	80.00%



	<b>Single</b>	<b>40</b>	<b>20.00%</b>
<b>Educational Status</b>	<b>Under-Graduate</b>	<b>170</b>	<b>85.00%</b>
	<b>Post-Graduate</b>	<b>30</b>	<b>15.00%</b>
<b>Job Experience</b>	<b>0-5 years</b>	<b>70</b>	<b>35.00%</b>
	<b>6-10 years</b>		
	<b>11-15 years</b>	<b>50</b>	<b>25.00%</b>
	<b>15-20 years</b>		
	<b>21+ years</b>	<b>40</b>	<b>20.00%</b>
		<b>27</b>	
	<b>13</b>	<b>13.50%</b>	
			<b>6.50%</b>
<b>Monthly Income</b>	<b>&lt;50,000 INR</b>	<b>30</b>	<b>15.00%</b>
	<b>&gt;50,000 INR</b>	<b>170</b>	<b>85.00%</b>
<b>Investment Control Frequency</b>	<b>Everyday</b>	<b>20</b>	
	<b>Weekly</b>	<b>40</b>	<b>10.00%</b>
	<b>Monthly</b>	<b>65</b>	<b>20.00%</b>
	<b>Quarterly</b>	<b>60</b>	
	<b>Unspecified Time</b>	<b>15</b>	<b>32.50%</b>
			<b>7.50%</b>

(Source: Authors' work)

It is identified from the above table that the investors are majorly males (85.00%) and then, females (15.00%). Mostly, investors are between 31-40 years age bracket (55.00%) succeeded by, 21-30 years age bracket (30.00%). 85% investors are undergraduates and 15% are postgraduates. It is observed that investors with 0-5 years of work experience are more focused on investment activities, while senior investors with above 20 years of work experience lack interest in investments. Monthly investment is high among majority of the investors and convenience is not a priority among them.

**Table 2. Descriptive Statistics**

	<b>Mean</b>	<b>Std. Deviation</b>	<b>N</b>
S1	3.12	.949	187
S2	3.72	.920	187
S3	3.40	.975	187
K1	3.22	1.079	187
C1	2.79	1.171	187
K2	2.63	.994	187
C2	2.99	.997	187
SO1	3.64	1.075	187
SO2	3.81	.997	187
SO3	3.42	1.020	187
SO4	3.20	.966	187
S1	3.26	1.121	187

(Source: Authors' work)



Table 2 above, depicts that SO2/beliefs has the highest mean value of 3.81 which implies that it has the maximum impact on the investments made by investors. K2/Culture, on the other hand, has the lowest mean of 2.63 and therefore, has the least impact on investors' investments.

**Table 3. Multiple Regression Model**

Model	R	R Square	Adjusted R Square	F-value	Standard Error of the Estimate	Durbin-Watson
1	.496	.74	.69	5.150	.360	1.782

a. Predictors: (Constant), S1, S2, S3, K1, C1, K2, C2, SO1, SO2, SO3, SO4

b. Dependent Variable: Investment

(Source: Authors' work)

Regression analysis studies the relationship between independent variables (spirituality, culture, belief, and religion) and dependent variables (investment). The results show R square is .74. Hence, 74% of the investments are determined by spirituality, culture, belief, and religion. The adjusted R square value is 0.69. This indicates that insignificant predictors (with  $p > 0.05$ ) also result in determining 69.00% of the investments. Therefore, spirituality and related factors significantly impact investments by participating investors during Covid-19.

**Table 4. Co-efficients**

Model	Unstandardized Co-efficients		Standardized Co-efficients	t-value	Significance (p-value)	95.0% Confidence Interval for B	
	B	Std.Error	Beta			Lower Bound	Upper Bound
Constant	.329	.469		.702	.083	-.596	1.254
S1	.137	.076	.133	1.813	.072	-.012	.287
S2	.021	.070	.022	.299	.056	-.117	.159
S3	.034	.065	.039	.531	.096	-.093	.162
K1	.022	.057	.027	.376	.008	-.135	.092
C1	.046	.066	.048	.697	.037	-.176	.084
K2	.100	.067	.105	1.486	.239	-.033	.232
C2	.044	.067	.049	.653	.314	-.175	.088
SO1	.199	.067	.209	2.969	.003	-.067	.331
SO2	.106	.069	.114	1.530	.028	-.031	.242
SO3	.272	.074	.277	3.700	.000	.127	.418
SO4	.045	.060	.053	.748	.155	-.074	.164

a. Dependent Variable: Investment

(Source: Authors' work)

The equation below refers to a regression model.

$$FD_i = \alpha + \beta_1 MA_i + \beta_2 HB_i + \beta_3 A_i + \beta_4 Fe_i$$

It is observed from the table above, P-values for S1, S2, and S3 are 0.072, 0.056, and 0.096 respectively and are greater than 0.05. They also have negligible influence on investments of investors with Standardized Coefficient Beta being 0.133, 0.022, and 0.039 for each of them. This indicates that spirituality as a whole does not influence investors' investments. Hence, Ha1 is rejected.

The p-value is 0.03 ( $p < 0.05$ ) and the Standardized Coefficients Beta is 0.209 for SO1, which indicates that beliefs have a significant effect on the financial decisions of investors. Therefore, Ha2 is supported.





The P-value is 0.008 ( $p < 0.05$ ) and the Standardized Coefficient Beta is 0.027 for K1. This proves that culture significantly influences investments of investors. Hence, Ha3 is supported.

Religion impacts the investments of an investor positively and is significant with p-value being 0.000 ( $p < 0.05$ ). It also has considerable effect on it with Standardized Coefficients Beta being 0.277. Therefore, Ha4 is supported.

## 9. Conclusion and Suggestions

The purpose of this study was to examine the influence of spirituality and related factors on the investments made by practicing individual investors. The research and data analysis concludes religion has the highest effect on investments made by an investor whereas spirituality as a whole has negligible influence on it. Spirituality overall, is insignificant and its consistency is also questionable. Therefore, an investor would not relate investments with any supernatural power. It also clarifies that beliefs and culture have a significant impact on investments made by investors. A few suggestions to prevent the interference of spirituality and related factors in the investments made by practicing investors are being presented. Firstly, investors should analyze their own religious biases and preferences and those of their employees and clients. This helps managers to observe in case their decisions should be either revised or compensated. Secondly, practicing investors must should realize their faith may have a significant influence on the profitability of their investments and the risk involved in them. Lastly on a positive note, business can be aligned with spirituality and related factors through new age innovative products and business strategies in order to strike a socio-economic balance.

## 10. Implications

This study will help brokerage firms, retail investors, financial analysts, and asset management companies to understand spirituality and related factors influencing investments. Asset management companies only focus on the sale of various schemes and products. However, recognizing there are many customers with shared beliefs will assist managers in designing profitable new products and strategies for these specific customer groups. Alternatively, business leaders may consciously design more effective ways to market existing financial products based on the specific attitudes to risk and saving of customer groups sharing the same spiritual attitudes. The present study will help retail investors, financial analysts, and brokerage firm managers acquire proper knowledge to make fruitful investments. Further, it also offers a new dimension of studying the spirituality and other aspects of investments.

## 11. Limitations and Future Prospects

A brief overview of the relationship between spirituality, religion, beliefs, culture, and investments has been presented by the article because of space constraints. The authors believe this relationship is more universal than suggested by the reviewed literature in this study and anticipate considerable potential for further research in this area. As samples in the study are from India and therefore, are dominated by Hindus, it is likely that members of other religious and spiritual groups will also share specific attitudes which will impact their investments. The success of Islamic banking shows this to be the case for Muslims.

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