



## Preference to Use Gold Based Financial Product : Case Study Bandung, West Java

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### | ABSTRACT

This study aims to analyze the adoption behavior of Indonesian society towards gold-based financial products—specifically Gold Savings, Gold Installments, and Gold Pawns—through the integrated lenses of financial inclusion and Rogers' Diffusion of Innovation (DOI) theory. These products, supported by digital technology (especially for savings and installments), represent a significant innovation bridging traditional store-of-value concepts with modern financial accessibility. A quantitative survey of 173 purposively sampled respondents in Bandung reveals a clear hierarchy of preference and adoption. Gold Savings is the most dominant product (61.85%), followed by Gold Installments (24.86%) and Gold Pawn (13.29%). Analysis using the five DOI dimensions shows that the *Relative Advantage* dimension consistently scores the highest (mean=4.20 for Gold Savings), while *Complexity* is perceived as the lowest barrier across all products. A critical and novel finding is the identification of a significant gap between formal financial access (97.11% are bank customers) and the adoption of these specific innovative products (only 56.65% are adopters). This gap highlights that true financial inclusion requires moving beyond mere account ownership to active usage of diverse financial instruments. The study concludes with strategic implications for policymakers and financial service providers, emphasizing the need to design inclusive products that highlight clear advantages, ensure simplicity, and align with local financial behaviors and technological readiness.

### | KEYWORDS :

Gold-Based Financial Products, Innovation Adoption, Financial Inclusion, Gold Savings, Diffusion of Innovation

## I. INTRODUCTION

The global financial landscape is continuously evolving with innovative instruments designed to expand access and promote sustainable economic development [1]. In this context, financial inclusion has been recognized as a crucial catalyst for economic growth and social stability, where the development of relevant and accessible financial products plays a strategic role [2]. Indonesia presents a unique case for studying financial innovation due to its strong cultural and historical foundation in using gold as a *store of value* and economic benchmark. Evidence of this local wisdom is reflected in diverse traditional gold measurement units across the archipelago, such as *mayam* in Aceh and *suku* in Minangkabau and Palembang societies [3]. This deep-rooted cultural foundation provides unique social capital for developing modern financial instruments.

Building upon this foundation, formal gold-based financial products—namely Gold Savings, Gold Installments, and Gold Pawn—have emerged. These products transform the traditional value of gold into innovative financial solutions [4]. They not only bridge traditional investment values with modern accessibility, supported by digital technology, but also hold significant potential as effective and efficient financial inclusion instruments [5]. This potential is particularly relevant for the younger, urban generation with fixed incomes, who may be more open to digital financial products compared to previous generations who relied more on physical gold ownership.

However, academic literature that comparatively examines all three product variants from a consumer adoption

behavior perspective remains very limited. Most previous studies are partial, focusing on specific aspects such as the marketing strategy of a single product or regulatory and risk analysis or sharia law analysis. This literature gap results in a lack of holistic understanding regarding the driving factors of adoption across the entire ecosystem of gold-based financial products.

To address this gap, this study employs Rogers' Diffusion of Innovation (DOI) theory as its primary theoretical framework [7]. This theory has proven comprehensive in explaining the mechanisms of financial innovation adoption, including in developing countries, as it allows for the measurement of consumer perceptions across five key attributes: *relative advantage, compatibility, complexity, trialability, and observability*.

Through this approach, the study is designed to achieve three objectives: First, to analyze public preferences and adoption patterns for Gold Savings, Gold Installments, and Gold Pawn. Second, to measure public perception of each of the five innovation attributes for all three products. Third, to formulate strategic implications for product development and financial inclusion policy in Indonesia. The novelty of this research lies in its comparative analysis of the complete product ecosystem through the dual perspective of behavioral theory (DOI) and the practical goal of financial inclusion, explicitly revealing the critical gap between access and usage.

## II. METHODOLOGY

This research employs a descriptive quantitative design with a cross-sectional survey approach, utilizing a weighted average analysis of Likert scale responses to capture consumer perceptions and preferences at a specific point in time [6]. The target population for this study is the adult population (aged  $\geq 18$  years) in the city of Bandung, Indonesia, who have potential access to formal financial services. Given the specific characteristics of the population, a purposive sampling technique was applied. The inclusion criteria were: (1) minimum age of 18 years, (2) having a fixed income or independent financial capability, and (3) having access to financial services, evidenced by ownership of an active bank account or digital wallet. Questionnaires were distributed randomly online through community forums during the period of December 1 to 15, 2025. From a total of 184 returned questionnaires, a screening process was conducted. Eleven (11) respondents were excluded for not meeting all criteria, resulting in a final analyzed sample of 173 respondents.

The research instrument was an online questionnaire developed by adapting the five core dimensions of Rogers' Diffusion of Innovation theory. Each dimension was operationalized into several statements measured using a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree).

1. **Relative Advantage:** Assessed the perceived financial benefits and ease of financial management compared to alternatives.
2. **Compatibility:** Assessed the alignment of the product with the respondent's lifestyle, values, and financial habits.
3. **Complexity:** Assessed the perceived difficulty in understanding and using the product.
4. **Observability:** Assessed the visibility of the product's benefits and the ease of observing its results.
5. **Trialability:** Assessed the interest and possibility of trying the product with low risk.

Before distribution, the questionnaire's content was validated through reviews by two practitioners in the banking and gold pawn industry who manage gold-based financial products. Additionally, the questionnaire collected demographic odata (gender, age, education, occupation, income) and respondents' financial service usage profiles. The collected data were analyzed using descriptive and comparative statistics. Descriptive analysis was used to present sample characteristics, product adoption rates, and the mean scores of respondents' perceptions for each innovation dimension across the three products. Comparative analysis was performed by comparing mean scores between products to identify significant differential patterns. All analyses were conducted using spreadsheet software.

## III. RESULTS AND DISCUSSION

### Respondent Characteristics and Financial Profile

The initial analysis presents descriptive statistics of the collected data. The demographic and financial profiles of the respondents were analyzed to ensure sample suitability with the research criteria and to identify basic patterns that might influence the study's outcomes. The distribution of respondents was fairly balanced between male (48.55%) and female (51.45%). The 26-30 year age group dominated (37.57%), followed by the 31-35 year group (19.08%), reflecting the focus on the productive-age population. The majority held a Bachelor's degree (54.34%) and worked as Private Employees (42.20%) or Entrepreneurs (22.54%), indicating that respondents generally had income and financial capability.

The financial profile revealed a crucial finding: 97.11% of respondents were already bank customers, indicating a very high level of access to the formal financial system. However, only 56.65% had adopted any gold-based financial product. Among the adopters, Gold Savings was the most popular (45.66% of adopters), followed by Gold Installments (34.68%), and Gold Pawn (28.90%). This data signifies that although nearly all respondents (97.11%) have access to the formal financial system (as shown by bank account ownership), only slightly more than half (56.65%) actually use this specific innovative financial product. This is significant because the ultimate goal of financial inclusion is not merely ensuring people have a bank account, but that they can utilize a diverse range of financial services – including modern products like gold-based ones – to improve their welfare. This gap finding suggests that the real challenge may lie in: (1) Behavioral factors: e.g., lack of interest, knowledge, or trust. (2) Product factors: e.g., products that are too complex, not aligned with needs, or poorly communicated.

### Product Preference and Analysis of Innovation Dimensions

The finding regarding the gap between access and adoption leads to a key question: which product is most preferred by the public and what perceptual factors underlie this choice?

When asked to select the single most important product for their financial needs, respondents showed a clear preference:

1. **Gold Savings:** 107 respondents (61.85%)
2. **Gold Installments:** 43 respondents (24.86%)
3. **Gold Pawn:** 23 respondents (13.29%)

The preference for Gold Savings aligns with innovation adoption theory, where products with a high degree of *compatibility* with existing behavioral patterns tend to be adopted more quickly. Gold Savings offers easily understandable logic: converting cash savings, which are vulnerable to value depreciation or inflation, into asset savings that are liquid and inflation-resistant, while maintaining liquidity as it can be withdrawn anytime. The combination of the inflation-hedging function, ease of liquidity, and adoption of digital and mobile technology makes this product create a perception of lower risk and minimal complexity compared to other gold-based products.

**Table I: Mean Scores of Adoption Dimensions per Product**

Dimensi Inovasi	Gold Saving	Gold Instalment	Gold Pawn
Relative Advantage	4.20	4.06	3.91
Compatibility	4.10	3.90	3.78
Complexity	1.82	2.05	2.14
Observability	4.06	3.94	3.83
Trialability	4.13	3.94	3.80

Analysis of the five innovation dimensions in Table I reveals a significant pattern. The *Relative Advantage* dimension consistently achieved the highest scores, while the *Complexity* dimension recorded the lowest scores across all three products. The sharp difference in scores between these two dimensions, with an average difference reaching 1.35 points, indicates that perceptions of benefit and difficulty are two critical factors dominating consumer evaluation. This pattern reinforces the proposition of Diffusion of Innovation theory that perceived advantage is the main driver of adoption, while complexity is a potential inhibitor

### Discussion of Findings

#### Dominance of Relative Advantage as the Key Driver in Product Selection

The high score for *Relative Advantage* (especially 4.20 for Gold Savings) confirms that for consumers, the primary value of this product is its ability to act as a *store of value* and an inflation hedge. This finding aligns with previous research on the adoption of financial innovations, which places relative advantage as the foremost driver. The strategic implication is clear: marketing communication must continue to reinforce the message of concrete and easily understood financial advantages. For Gold Savings, this means highlighting its role as a "smarter savings" instrument that protects value better than conventional cash savings.

#### High Compatibility with Generations Y and Z

The high perceived *compatibility* (scores between 3.78 and 4.10) is strongly suspected to be a driving factor for adoption among Generations Y and Z. This compatibility is assessed based on easy access via smartphone and integration with daily digital activities. This finding is in line with literature showing that Gen Z, of whom 98% own smartphones and interact heavily digitally, are more receptive to digital financial innovations that align with their interests. Thus, the principle of alignment with digital lifestyle and channels is indeed a primary consideration in developing inclusive products.

### **Complexity as a Barrier That Needs Alignment with Regulation**

The perceived *complexity* scores for all products were consistently low (average 1.82 on a 1–5 scale). This indicates that gold-based financial products are generally familiar to the public. The low perception of complexity is driven by two main factors: the use of digital technology and the conventional nature of products (like gold pawn) that are widely known, thus reducing perceptual barriers for the products they choose. However, the substantive complexity that is the real challenge stems from internal company procedures that refer to regulatory provisions. In Islamic banking, this complexity is even more prominent due to additional sharia compliance requirements. Nevertheless, respondents generally perceive that using gold-based financial products is not difficult. Therefore, efforts should focus on aligning internal procedures with regulations so that substantive complexity does not become a barrier to the customer experience.

### **Observability and Trialability: Challenges in Demonstrating Benefit**

The moderate *Observability* scores (3.83-4.06) reflect the challenge of visualizing the long-term benefits of gold investment. Meanwhile, the somewhat limited *Trialability* scores (3.80-3.94) indicate psychological barriers due to initial financial commitment. These two challenges are interrelated. Sustainable innovative solutions or simply low-cost trial packages can simultaneously increase potential customers' ability to "see" the benefits and "try" the experience without major risk. Building *trust* through a positive initial experience is crucial to increasing *Trialability*.

### **Holistic Implication: From Access to Financial Inclusion**

The finding of a large gap between bank access (97.11%) and gold product adoption (56.65%) is the core argument of this research. This gap shows that true financial inclusion requires more than just account ownership. Marketing strategies, especially on the aspects of *Process* (ease of digital process) and *Physical Evidence* (trust), are needed to bridge the gap between banking access and the use of gold-based financial products accurately, for example through segmentation based on the profile of young urban generations.

## **IV. CONCLUSION**

This study successfully maps the adoption behavior of Indonesian society towards three variants of gold-based financial products. The main conclusions are: (1) Gold Savings is the most popular product and is perceived as the most beneficial and easiest to use; (2) The *Relative Advantage* dimension is the main driver of adoption, while *Complexity* remains a potential barrier that needs to be addressed; (3) There is a significant gap between access to banks (very high) and the adoption of innovative gold-based financial products (moderate), which indicates that financial inclusion requires more than just account opening.

The practical implications of this research, especially for financial service providers (Islamic banks, fintech, BPRS), are:

1. **Simplify and Educate:** Focus on simplifying products, procedures, and communication language to lower the perception of complexity, supported by aggressive educational campaigns.
2. **Communicate Advantages Concretely:** Highlight the benefits of value protection and long-term appreciation potential as the main message, with easy-to-understand case examples.
3. **Develop Layered Marketing Strategies:** Create differentiated strategies for each product, for example, targeting Gold Savings for investment beginners, Gold Installments for urban middle-class who want to invest regularly, and Gold Pawn with communication emphasizing speed and emergency solutions.

The limitations of the study include the use of non-probability (purposive) sampling which limits generalizability, and the scope of analysis focusing on perceptions without measuring actual behavior or external factors such as social influence and macroeconomic conditions.

Suggestions for further research include: (1) Expanding the sample with random sampling methods for better generalization; (2) Adding moderator variables such as financial literacy, perceived financial risk, and social influence using more comprehensive models like the Theory of Planned Behavior; (3) Using a longitudinal approach to measure

changes in perception and adoption over time; (4) Investigating more deeply the determining factors for Gold Pawn adoption, considering its crucial role as emergency financing yet its adoption rate remains low.

Ultimately, gold-based financial products have great potential to deepen financial inclusion in Indonesia. Their success depends not only on product features, but more on the ability of service providers to understand and address psychological and knowledge barriers at the consumer level, as outlined in this diffusion of innovation analysis.

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