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IJBS INDEXING



## The Effect of Promotion on Financial Literacy in Increasing Buying Interest in Government Bonds

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### Abstract

The economic development of a country can be seen from the equitable distribution of national development. Funds are needed to support development activities. The kind of funds needed is sustainable development funds to maintain economic development. The government sees government Bonds (Surat UtangNegara/ SUN) as an alternative instrument for financing the State Budget, covering short-term cash shortages and managing the country's debt portfolio. This study aims to examine the Effect of Promotion and Financial Literacy on Buying Interest in Government Bonds (SUN). It used a descriptive survey and explanatory survey methods. The primary data collection method was obtained directly from the source with a sample size of 100 students from Maranatha Christian University and Parahyangan University who have known about promotion and financial literacy. The distribution of the questionnaire was carried out using a non-probability sampling technique, namely, purposive sampling. A multiple linear regression statistical tool was used for data analysis with a significance level of 5% for t-test and F-test. This study indicates that both the partial and simultaneous tests show that promotion and financial literacy variables affect interest in the Buying Interest.

**Keywords:** Promotion; Financial Literacy; Buying Interest; Government Bonds.

### 1. Introduction

The economic development of a country as a whole can be seen from the equitable distribution of development. Indonesia, as a developing country, will continue to carry out development in all fields. Funding is required to support development activities. The required funds are sustainable development funds to maintain economic development.

The government sees government Bonds (Surat UtangNegara/ SUN) as an alternative instrument for financing the State Budget, covering short-term cash shortages and managing the country's debt portfolio. For investors, Government Bonds are an investment that is free of default risks because they acknowledge that the Republic of Indonesia guarantees the payment of interest and principal according to their validity period. Government Bonds can be owned by all groups of people, both domestic and overseas, through the primary and secondary markets.

By purchasing Government Bonds, investors and market players can diversify their portfolios to minimize investment risks. Indonesia has a solid Government Bonds investor base. However, the basis of investors does not come from within the country but from abroad. Government Bonds are not widely known, especially among university students, whereas they can be used as an option for university students

who want to try such investments free of default risks. The Indonesian financial literacy index has shown positive results by increasing by 8.37% from 29.7% in 2016 to 38.03% in 2019. However, this figure is still relatively low compared to other Asian countries such as Singapore, which is 59%, and Japan, with a financial literacy rate of 43%.

For this reason, Indonesia's financial literacy needs to be reviewed and improved because a low level of financial literacy can be a factor in the interest of domestic university students to purchase Government Bonds. Financial literacy itself is knowledge, skills, and beliefs that influence attitudes and behavior to improve decision-making and financial management to achieve prosperity. In increasing a high financial literacy index to utilize appropriate financial products and services to achieve sustainable financial prosperity, promotion is needed to support these activities. The promotion itself is a method taken by companies to sell products to consumers or various company activities to communicate and introduce products on a targeted basis. Promotional activities carried out can be in the form of advertisements, broadcasting, both national and radio broadcasts, public relations, and direct mails. For this reason, the researchers want to identify the effect of promotion on financial literacy in increasing interest in buying Government Bonds.

## 2. Literature Review

According to Kotler and Keller (2016), marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others. There is a marketing mix in marketing, which plays a crucial role in influencing customers to buy products or services offered by the market. Therefore, the marketing mix is said to be a tool that will show marketing success. According to Kotler and Armstrong (2016), the marketing mix includes four (4) main dimensions and can be controlled by the company: product, price, place, and promotion. In the marketing mix, there is a promotional dimension that means that promotion is used to inform and persuade the market about the company's new products or services through advertisements, personal sales, sales promotions, or publications.

For this reason, promotion can be used as advice in educating the public, especially university students, to increase knowledge of financial literacy. According to Lusardi (2007), in Krisna's (2008) research, financial literacy can be interpreted as financial knowledge to achieve prosperity. It can also be interpreted as preparations for welcoming globalization, specifically globalization of problems in the financial sector. There are some impacts of financial literacy on financial decisions and behavior. For example, financial literacy has influenced saving and investment behavior and debt management and lending practices. Empirically, people who understand finance are more likely to accumulate wealth (Lusardi and Mitchell, 2014), which means they will increase buying interest in goods or services that can be used to invest their money. According to Kotler and Keller (2009), buying interest is a consumer behavior that appears in response to objects that indicate a person's desire to make a purchase. According to Schiffman and Kanuk (2007), buying interest is a model of a person's attitude towards an object, which is very suitable in measuring attitudes towards certain products, services, or brands.

For these reasons, the hypotheses are as follows:

- H1: There is a significant effect of promotion on financial literacy.  
 H2: There is a significant effect of financial literacy on the buying interest.  
 H3: There is a significant effect of promotion on the buying interest through financial literacy.

Based on the above hypotheses, below is the model:

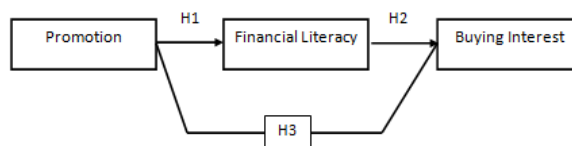


Figure 1. The Research Model

## 3. Methods

The current research used descriptive and explanatory survey methods. The survey method, a method of collecting primary data, was obtained directly from the source. In its implementation, the distribution of questionnaires was taken from a sample of the population. Explanatory research aims to see the effect of independent variables on the dependent variable to conclude.

The data analysis used is path analysis to determine the effect and explain the direct effect and indirect effect of a set of variables, independent variables on dependent variables.

In this study, the data collection technique used was a questionnaire distribution method. The distribution was carried out using non-probability sampling techniques, namely, purposive sampling. It was carried out by giving questionnaires to university students who already know the promotional activities' financial literacy. The collected data was put as entry data for data processing using SPSS 24 application program. The results were then interpreted to conclude.

The data processing was carried out in several interconnected stages, namely:

- a. Data collection and data checking  
 The data collection and checking stage was carried out so that the collected data can be processed immediately.
- b. Encoding and data input  
 This stage was intended to change data in the form of numbers, symbols, or certain abbreviations to be processed by data processors using the SPSS 24 application program. The scale used was the Ordinal Scale to distinguish data containing elements of ranking, degree, or level through specific assessments. The assessment carried out may contain elements of objectivity or subjectivity or a combination of both.

## 4. Result

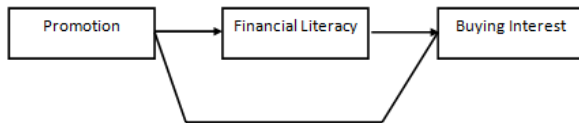


Figure 2. Relationship among variables

### 4.1. Promotion on Financial Literacy

Table 1. t-Test result X on Y

Model	Coefficients			t	Sig.
	Unstandardized Coefficients	Standardized Coefficients			
	B	Std. Error	Beta		
1 (Constant)	14,449	1,157		12,490	,000
Promosi	1,091	,182	,519	6,008	,000

a. Dependent Variable: Literasi\_Keuangan

Based on Table 4.1, it can be seen that the sign value is  $0.000 \leq 0.05$ , which means that promotion has a significant effect on Financial Literacy.

### 4.2. Financial Literacy on Buying Interest

Table 2. t-Test result Y on Z

Model	Coefficients			t	Sig.
	Unstandardized Coefficients	Standardized Coefficients			
	B	Std. Error	Beta		
1 (Constant)	,889	,732		1,215	,227
Literasi_Keuangan	,262	,034	,613	7,683	,000

a. Dependent Variable: Minat\_Beli

Based on Table 4.2, it can be seen that the sign value is  $0.000 \leq 0.05$ , which means that financial literacy has a significant effect on buying interest.

### 4.3. Promotion on Buying Interest

Table 3. t-Test result X on Z

Model	Coefficients			t	Sig.
	Unstandardized Coefficients	Standardized Coefficients			
	B	Std. Error	Beta		
1 (Constant)	2,716	,422		6,431	,000
Promosi	,613	,066	,683	9,247	,000

a. Dependent Variable: Minat\_Beli

Based on Table 4.3, it can be seen that the sign value is  $0.000 \leq 0.05$ , which means that promotion has a significant effect on buying interest.

### 4.4. Analysis of the Effect of Promotion on Financial Literacy in Increasing Buying Interest in Government Bonds

Table 4. The Effect of Promotion on Financial Literacy in Increasing Buying Interest in Government Bonds

	Path Analysis Interpretation	
	beta	%
Direct effect X on Z	0,683	68,3
Indirect effect X through Y on Z	0,241	24,1
<b>Total</b>	<b>0,924</b>	<b>92,4</b>

Based on Table 4.3, it is known that the direct effect given by Promotion on Buying interest is 0.683, while the indirect effect of Promotion through Financial Literacy on Buying Interest is  $0.683 \times 0.354 = 0.241$ . Then the total effect given by Promotion on Buying Intention is  $0.683 + 0.241 = 0.924$ . The direct effect is greater than the indirect effect. This finding shows that Direct Promotion has a significant effect on Buying interest.

## 5. Discussion

Any additional promotional activities regarding Government Bonds (SUN), will cause an increase in Financial Literacy among university students. This is in line with the usefulness of promotions that can influence consumers to persuade, persuade, remember, and improve.

Likewise, if there is an increase in financial understanding & awareness/ financial literacy, it will also increase interest in buying government Bonds (SUN). The linearity between brand trust and financial literacy can be represented by trust in brands.

As for promotional activities, it can also increase buying interest, where the contribution of promotion is greater than the contribution of financial literacy to buying interest.

The implementation of intense promotional activities can create a strong interest, even to the level of desire, so it is very appropriate for a product such as SUN to implement promotional activities like other products in general.

It is also known from this research that the direct effect has a greater impact than the indirect effect on buying interest.

## 6. Conclusion

1 Based on the result of the first hypothesis testing, it can be stated that promotion has a significant effect on Buying Interest in Government Bonds (SUN) with a significance value of  $0.000 \leq 0.05$ .

- 2 Based on the third hypothesis testing results, it can be stated that financial literacy has a significant effect on the Buying Interest in Government Bonds (SUN) with a significance value of  $0.000 \leq 0.05$ .
- 3 Based on the second hypothesis testing result, it can be stated that promotion has a significant effect on Buying Interest in Government Bonds (SUN) with a significance value of  $0.000 \leq 0.05$ .
- 4 Based on the path analysis results, it is known that the direct effect of promotion on the Buying Interest is 0.683, while the indirect effect of Promotion through Financial Literacy on Buying Interest is  $0.683 \times 0.354 = 0.241$ . Then the total effect given by promotion on the Buying Interest is  $0.683 + 0.241 = 0.924$ . The direct effect is greater than the indirect effect, which shows that Direct Promotion has a significant effect on Buying interest.

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