

# How Ethno Marketing Can Determine Consumer Decision to Use Branchless Banking Services

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**Abstract**— Branchless Banking in Indonesia is examined as “an office-less financial services in the context of inclusive finance”. This program aims to provide simple, easy-to-understand financial products and in line with the needs of people who have not yet reached financial services. The target is the citizens who are in an isolated area that every agent must be able to reach them with special approach. One of the most effective way to reach purchase decision is ethno marketing. The aims of this study is to find how ethno marketing could determine consumer decision to use Branchless banking services focuses on consumers in Bandung City. This study is a verificative study which used explanatory survey with total sample size is 100 respondents. The da-ta analysis technique in this study is Structural Equation Modeling. This study reveals that ethno marketing significantly influence consumer decision to use Branchless Banking services because of the consumer decision.

**Keywords**—Ethno marketing; Consumer Decision; Branchless Banking

## I. INTRODUCTION

Branchless Banking in Indonesia is examined as “an office-less financial services in the context of inclusive finance”. It is one of the program from Financial Services Authority for the provision of banking services or other financial services through cooperation with other parties (bank agents), and support of the use of information technology facilities [1]. This program aims to provide simple, easy-to-understand financial products, and in line with the needs of people who have not yet reached financial services. In addition, it also launched the economics activities of the community in order to encourage economic growth and equitable development among regions in Indonesia especially between villages and cities. The agents assigned to introduce this services to society, so they must be able to understand a procedure and the way to transact. Thus, the agent's persistence is expected to foster consumer's belief on the ground of using financial services (inclusive finance).

[2] shows that only 49% of Indonesian households have access to formal financial institutions. Similar findings from Bank Indonesia in [3] showed that the percentage of households saving in formal and non-financial institutions is 48%. This lack of access is due to low income levels, complicated bank operating arrangements, lack of financial and

banking education, high bank administrative costs and isolated location of the banks [3]. However, introducing branchless banking to the society is not easy because the agent must be able to explain that this services is more effective and more profitable to use. So it will be difficult to affect consumer behavior to face something new and different [4].

Culture has been found to be the most influential element in consumption behavior in which certain products are associated with specific symbolism [5]. Companies try to understand their customers about how they behave in the market [6]. The need to examine cultural frameworks and marketing activities has emerged in recent decades by many scholars and academics. They focus on ethno marketing research and cultural elements that influence marketing activities [7]. Culture shapes the way human beings behave. Culture also shapes con-sumer behavior. Language is an essential part of any culture [8]. Consumers through languages receive the message from companies, they receive advertising messages. Religion also influences consumer buying behavior because certain products are religious biased and religious conscious [9]. Values which are part of a culture influence the behavior of people and the consumption of certain products and services. Symbols can have a stimulating effect to certain members of a particular culture [10].

Ethno marketing starts with recognizing the elements of culture as crucial and essential for running businesses nowadays. Similarly, cultural dimension is used by a company to develop its activities in order to analyze the behavior of consumers, the way com-panies make decisions and the development of the market [11] [12] [13]. Ethno marketing means a tailored marketing mix for a targeted segment based on cultural differences of that consumer group. The market segmentation meets customers' needs and preferences more accurately [14]. In this line, market segmentation based on ethnicity helps companies to enter heterogeneous segments, i.e. segments belonging to different ethnic groups. According to [15], external influences such as culture, ethnicity and social class greatly affect a person in buying and using the product. The company focuses on ethno marketing elements as a way to group all markets into targets where its main purpose is to serve the market based on ethno marketing elements. [16] defines ethnic marketing as market segmentation marketing

based on ethnic groups taking into account specific cultural considerations in their marketing activities.

Based on those previous researches and analysis, this study proposed to see the impact of ethno marketing on consumer purchase decision.

**II. METHODOLOGY**

This study used marketing approach especially about ethno marketing and purchase decisions. The object of this study was the Branchless Banking services. The subject of this study are Bandung Citizens. This study conducted from January 2018 until April 2018 using cross sectional method. The type of the study is verification by gathering the data. The sample was taken by using minimum sample size of Stuctural Equation Modeling, thus it can be found there were 100 respondents. The study used a primary and secondary data. For collecting the primary data, a structured questionnaire was used with the Likert Scale (1-5), therefore this study was quantitative type research. For collecting the secondary data, books, textbooks, online articles, and journals were used. The analysis technique used is aimed to find the influence of the etho marketing (X) towards the buying decision (Y) by using stuctural equation modeling technique.

**III. RESULTS AND DISCUSSION**

The overall test shows that ethno marketing have a significant affect on consumer purchase decision. With using Structural Equation Modeling technique, results of confirmatory factor analysis are presented in Table 1. According to [27], the acceptable threshold for factor loading is 0,3 or above. Based on the confirmatory factor analysis, all of variables were retained. Most item loadings are larger than 0.3 and t values indicate that all loadings are significant. The retained variables will be used in estimating a model via SEM method.

Table 1. Loading of the CFA.

Factor	Label	Factor Loading	t-value	A
Ethnicity	ET1	0.85	13.66	0.847
	ET2	0.93	11.94	
Ethno-Consumerism	EC1	0.86	16.00	0.781
	EC2	0.58	11.11	
	EC3	0.67	10.16	
The Cultural Dimensions of Markets	CDM1	0.63	12.23	0.712
	CDM2	0.71	10.77	
	CDM3	0.65	12.05	
The Market Organization Culture	MOC1	0.70	13.72	0.739
	MOC2	0.75	17.54	
Purchase Decision	PD1	0.87	10.09	1.983
	PD2	0.91	10.05	
	PD3	0.69	11.98	

SEM is used to estimate “multiple and interrelated dependence relationship and the ability to represent unobserved

concepts in these relationships and account for measurement error in the estimation process” [18]. Therefore, SEM is the most suitable analysis to estimate the strength of causal relationship among all constructs. The overall model fit was good,  $\chi^2 = 2.819$ ,  $RMSEA = 0.0620 < 0.08$ ,  $RMR = 0.044 < 0.05$ ,  $GFI = 0.996 > 0.90$ ,  $CFI = 0.998 > 0.90$ ,  $IFI = 0.930 > 0.90$ ,  $RFI = 0.945 > 0.90$ , and  $NFI = 0.967 > 0.90$ . The effect of ethno marketing on purchase decision was significant ( $p = 0.000 < 0.001$ ). The highest support of ethno marketing dimension was ethnicity with loading factor 0,85 and total item of question is 2 items. And then the lowest support was the cultural dimension of market with loading factor 0.71 and total item of question is 3 items. The support of these dimension shown such as follow:



Fig. 1. Result analysis.

The analysis showed that ethno marketing significantly affect consumer decision to use Branchless Banking services. It means that by the more ethno marketing is used, the more purchase decision could be done by consumer. The strongest dimension influencing purchase decision was ethnicity and the lowest was the cultural dimension of market.

In this study, the dimension of Ethno-marketing uses [11] theory, which divides the dimension of ethno marketing into 4 which are ethnicity, ethno consumerism, the cultural dimensions of market and the market organization culture.

The decision making constraint of problem solving needs to be done to accomplish problem and take action and solve it. The importance of decision making is about how could generate problem with generate the alternative solution. The decision making is also related to the goal that organizational define and ensure to deliver value to customer in every action that decide [19].

This study is in line with [7] who found that purchase decision affected by consumer culture and ethic. “Culture plays an important role in defining ethics standards because different cultures socialize their people differently, according to the acceptable behaviour. The potential significance of ethnic groups for marketing justifies inquiry into the moral judgments, standards, and rules of conduct exercised in marketing decisions and situations arising from decisions whether or not to focus on individual ethnic groups within an economy”.

Recent study also shows that culture plays a significant role in tourist decision to using the product [20]. A study on festival experiences examined the effect of social characteristics (e.g. regional culture, social interactions with others) on customers

decision making at a wine festival, in addition to the impact of physical characteristics (e.g. surrounding environment, ambience) [21]. [22] also noted that social factors are significant external antecedents of the consumer decision, in addition to food quality, culture-related aspects of food and the physical dining environment.

#### IV. CONCLUSION

This paper aims to understand the correlation of ethno marketing impact on consumer decision to use Branchless Banking services. In the process, the researcher found that the correlation of ethno marketing and consumer decision was significant and the highest dimension which affect consumer decision is ethnicity and the lowest affect is from The Cultural of Market.

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