

Branches or Branchless Strategy? The Most Influencing Factors in Financing Industry Performance

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Abstract. There are still inconsistencies between the influence of the branch offices or distribution channels. This research aimed to confirm the influence of branch network offices and the performance of the finance company in Indonesia. This research also aimed to see the regional macroeconomics indicator (GDRP, Economic Growth, Population and income per Capita) impact bank performance. A literature study was conducted to formulate hypotheses, and a descriptive quantitative method was conducted based on secondary data of 34 provinces in Indonesia for hypothesis testing. Then PLS program was used to analyze the correlation between variables. The study's findings showed that the number of branches, GDRP, and Economic Growth positively influenced the performance. This research is expected to contribute to the financing industry in addressing the branchless phenomenon in several industries in Indonesia: whether this phenomenon needs to be followed or not, or does it still need to be modified to improve performance which has declined in the last few years.

1 Introduction

The development of information technology in recent decades has changed the business landscape of the majority of industries. Digitalization with technology maximization is the latest trend followed by almost all companies. Many industries are trying to switch strategies from offline to online [1]. Faster processes, cost efficiency, the ability to reach massive prospects, and increased productivity are the main reasons the industry implements digitalization in its current business processes. This development also attracts academics to discuss in their research. Conventional business models are gradually being abandoned and turning to digitization, which many see as the business landscape of the future. In his paper, Korbel (2016) in [2] states that machines and technology substitute conventional distribution channels. Then Mařík's research (2016) in [3] states that innovation in the future will always be related to big-data analysis, which is supported by technology.

A similar phenomenon also occurs in the financing industry. In the current decades, the start-up financing industry in Indonesia was grown rapidly. Start-up companies that prioritize technology optimization as their main advantage in distributing financing services to the public are often known as financial technology or fintech lending. Financial Services Authority data states that the accumulated distribution of financing through the fintech lending industry has increased six to seven times over the past three years [4]. This development is contrary to the development of the conventional financing industry. The finance industry is also often

known as 'multi finance' growth of 7% only in the last three years [4]. The account receivable growth of the three years before this period could touch 20% [5]. Based on this condition, it can be seen that there is a slowdown in the growth of receivables in the financing industry itself or relative to the financial technology industry. In this case, the financing industry is commonly associated with branch strategy and financial technology is associated with the branchless strategy. So the research here aims to identify the most influential factors in the success of the financing industry in a region in channelling financing. The success of the finance industry in enlarging credit distribution will be measured by the number of financing receivables in the area.

Several studies reveal the effect of the marketing mix on sales in a region [6-7]. Other research also states that the marketing mix is crucial to improving business performance [8]. Then [9] reveal that the marketing mix positively contributes to influencing consumers. In the finance industry, sales financing success indicators are reflected in the sustainable growth of account receivables. The number of branch offices reflects one component of the marketing mix: the place strategy. In this study, the focus is only on 'place'. The other marketing mix components (such as product, pricing, and promotion) will not be used in this research based on the argument that the place ("brick and mortar") component is the most replaceable by digital technology ("place anywhere") in the context of the shift from offline to online strategies [1]. Therefore, many conventional offices, shops, and outlets are eventually closed and replaced by marketing through digital

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technology. In addition, the implementation of these three aspects of product, pricing and promotion in the financing industry is relatively homogeneous. Either between one company and another or between one region and another. This homogeneity occurs due to the existence of strict regulations about product (legal and licensing), pricing (acquisition cost and down payment), and promotion (consumer protection and openness to consumers) [4].

Several researchers have revealed the relationship between distribution channels and performance by talking about the placing aspect. Several organizations encourage company performance to continue to grow by optimizing and synergizing various elements of the retail mix, one of which is a strategic office position and a convenient location. Research by [10] reveals that the distribution strategy (place) significantly affects and positively the demand for international tourism in Kenya. Even the distribution strategy ranks at the top among marketing strategies. Amara (2012) study the influence of distribution channel (marketing) strategy on commercial banks' performance in Kenya. The study state that a marketing strategy and distribution channel in the form of a branch network and multiple distributions used by banks would increase sales, market share, and profits. Likewise, other studies have shown that distribution channels will increase sales, cash flow, and profitability because they will provide greater purchase possibilities from potential customers [11]. Then [12] also revealed that place and product are the main determinants of business success for micro and small traders engaged in the agricultural product

Nevertheless, the results of the above research contradict other studies. For example, research shows that mixed strategy marketing does not have a significant impact on marketing competitive advantage in malls ("place") [13]. Then other research also concluded that the marketing mix (place strategy, product strategy, promotion, price) did not have an important role and impact on organizational performance in the Nigerian Bottling Company [14]. With this difference, it is known that there are still inconsistencies and controversies in the relationship between variables

Besides the distribution channel or branch network variables, other variables used in this study are regional economic potentials such as total population, regional per Capita income, regional economic growth, and regional gross domestic product. Here, the economic factors are often used to evaluate the right strategy, such as the marketing mix [15]. In addition, macroeconomic indicators represent the business and sales potential [16]. The impact of economic growth and gross domestic product to sales of cars and motorbikes [3]. The population will reflect the number of potential customers. Meanwhile, the per capita income, economic growth, and GDRP reflect the regional economic wheels and economic sustainability, which requires a lot of lending to the community.

1.1 Objectives

Due to the inconsistency and controversy that still occur between the influence of the branch offices or distribution channels, further research is needed to determine whether there is an influence between the number of branch and the performance of the finance company in Indonesia. It is necessary to determine whether an offline distribution channel like a branches office still plays an important role or can be replaced by an online (branchless) distribution channel. Therefore, research here aims to determine the most influential factors on the performance, especially the correlation between branch network and performance. The results of this study are expected as a guideline to provide recommendations regarding what initiatives the finance industry should take in making improvements. Beside that, the study are expect to give contribution for existing literature, especially about branchless phenomena.

2 Literature review

2.1 Performance (account receivable)

Performance can be described as a level/degree of goal achievement from an organization [17]. Another definition of performance is the time test from a strategy to produce an outcome [18]. Generally, performance is quantified in the form of financial measurement or non-financial measurement. In this research, performance is reflected as the account receivable. Account receivable is one of the financial indicators that will increase along with the distribution of credit receivables to the public [19]. In practice, many companies sell their products by providing credit facilities to upgrade the company size through sales volume [19]. Sales via credit will create company accounts receivable. In a financial context, account receivables are recorded in the company's financial statements [20] and stated on the balance sheet [21]. Thus, account receivables are crucial because they represent current assets closely related to the selling process of the company's product.

Account receivables are a right of the lawsuit against a customer (business to business or business to person), according to a payment agreement in the form of money or transfer of other assets or services [22]. Accounts receivable is one element of working capital that keep rotating continuously in the working capital cycle. Thus managing accounts receivable is very important for corporate finance because of its effect on profitability and firm value [23] and for the company's liquidity and survival (Adusei, 2017).

The product is marketed as a credit facility in the financing industry with the repayment obligation paid monthly by the consumer. Thus, the account receivable will increase if the sales through credit extended to the public are more significant than the credit paid by consumers every month. In addition to credit

instalments received by consumers, the account receivable can also decrease by write-off credit because the consumer has overdue for some consecutive instalments [19]. So the company immediately declares it a loss.

2.2 Branch network (distribution channel)

Branch networks are also known as distribution channels in the financing industry. One form of distribution channel or marketing channel used by the financing industry in distributing financing service products to final consumers is in the form of branch offices. In the marketing mix, place here is a collection of independent organizations that make goods or services available so that customers can use or consume these goods or services [24]. Based on [25], the marketing channel is a mediator liaison between producers and end consumers and can consist of intermediaries with various functions. In the financing industry, branch network offices as distribution channels generally consist of marketing, credit underwriting, collection, and operations functions.

In some industries, companies usually use their business network to introduce themselves to stakeholders [11]. [26] reveals that the correct location has a significant effect on performance (profitability), and store design positively affects consumer purchases and sales quantity. In the pharmaceutical industry in Thailand, [27] stated that promotion and placing are the most significant factors in service orientation. [28] stated that promotion and placing are the most significant factors in service orientation. Other research stated that place and promotion are predictors of customer satisfaction to making purchase [28]. [29] stated that promotion and placing are the most significant factors in service orientation. Other research stated that place and promotion are predictors of customer satisfaction to making purchase [29]. [30] stated that the determination of the location according to the target has an important role for small-medium enterprises in Kenya. So designing a marketing channel to penetrate the target market and choose the right place requires various considerations, like deciding the structure of the marketing channel, selecting the members of the marketing channel, and managing activities to be carried out in the channel to market the product and service to customers [31]. [32] stated that the core of the marketing channel consists of five critical elements: (1) An integrated system in which the overall team carry out connected each other and organized activities, (2) Agencies and institutions involve as a connected party with the marketing channel, (3) The functional structure of the marketing channel, (4) The relationship of the suppliers and buyers, and (5) The role of marketing in order to bridge producers and consumers.

Based on the definition and explanation from previous research about the distribution channel or branch network, performance has a significant effect [11-12]. So it can be concluded that the research hypothesis:

H1: branch network provides a positive and significant impact on the performance (account receivable).

2.3 Gross domestic regional product

The success of the regional development reflects by economic indicators. One indicator that reflects the potential economy and business progress in a region within a certain period is Gross Domestic Regional Product (GRDP) [33-34]. Gross Domestic Regional Product (GDRP) is the gross added value of all products in the form of goods and/or services produced and consumed in a regional domestic territory. It reflect two point: total income and total expenditure [35]. Gross Domestic Regional Product (GDRP) is calculated from various economic activities (production, distribution, and consumption) in a certain period, regardless of whether the economic factors (input and output) are owned by residents or non-residents [36]. In other words, GRDP calculates the total production of a country without distinguishing whether domestic production factors produced the output or not.

As one of the macroeconomic indicators, increasing Gross Domestic Regional Product often reflects the high business potential [16]. This indicator reflects the potential increase in consumption of the local community and will follow by increased production activities, or it will affect sales [3]. In the financing industry, which functions to distribute consumer credit or working capital credit facilities, the growing GDRP indicator also reflects the potential for higher lending. Based on the definition and elaboration of the GDRP that reflect the magnitude of economic and business potential, the following hypotheses can be stated:

H2: GDRP has a positive and significant impact on the number of branch network

H3: GDRP has a positive and significant impact on the performance (account receivable).

2.4 Economic growth

Economic growth reflects the development of economic activity in a domestic territory caused by goods and services produced or consumed by the population to increase to improve people's welfare [33]. Theoretically, economic growth is the ratio of GRDP in the current period to the previous period [36-37]. Thus, economic growth describes the development of an economy within a current year compared to last year [38]. In practice, the Gross Domestic Regional Product calculates using the prevailing or nominal price for the year. The aim is to look at the structure of the economy. Meanwhile, to measure economic growth, it is calculated using GRDP at constant prices for a base year, and then the growth is seen compared to last year.

An economy will grow if the amount of production and consumption of goods and services produced in the region increases compared to the previous year. A high and sustainable level of economic growth is a condition desired by every region. A high growth rate indicates an increase in income and overall economic activity. The increasing number of productive activities will encourage credit demand for working capital or consumptive purposes. Thus, the business potential in the region will also relatively increase. It is in line with research that reveals that economic growth determines

sales factors [3]. If the definition and description of economic growth represent the business potential in a region linked to the number of branch network offices and accounts receivable in the finance industry, it can be concluded that:

- H4: Economic growth in a region has a significant and positive effect on the number of branch network offices
- H5: Economic growth in a region has a significant and positive impact on performance (account receivables)

2.5 Population

The regional economic growth is related to the population ([33], [37], [39]). The number of people of working age or productive age is also a factor affecting the economic output of an area. A large workforce comes from a large population too. So the population growth indicator is important to predict the population size of a region or country in the future. It will be create market demand [40] and successful economy ([39], [41-42]). The social and regional economic basic needs are also known from this population.

A high population reflects a high economic and business potential. A large population will open up higher consumption opportunities in the future. Then the increasing demand for consumption will open up opportunities for productive business activities to produce more and more goods and services. This production activity will create labour needs. High labour will upgrade the level of community income in the future [43]. The increase in productive activities will encourage credit demand so that the business potential for the financing industry will potentially increase. If these definitions and descriptions about economic growth link to the number of branch network offices and account receivable in the finance industry, then it can be synthesized into a hypothesis:

- H6: Population has a positive and significant impact on the number of branch network offices in the region
- H7: Population has a positive and significant impact on performance (account receivable)

2.6 Income per capita

Income per Capita reflects the average welfare level of each resident in an are [44]. Indonesia's overall per Capita income, which has increased over the last few years, shows the increased welfare [45]. [46] found that per Capita income has a significant and negative effect on the level of poverty. The poverty level here reflects the level of community welfare. The higher income per Capita in an area indicates the level of prosperity of the community that is getting better. The community welfare will be better if economic activities are well distributed among the people in the region.

Several other studies have also found that per capita income, inequality in income distribution, unemployment and the human development index have a significant effect on poverty or the level of prosperity in an area [46, 47]. Specifically, the research results of

[48] show that the Gini ratio, which reflects income inequality, has a significant and positive effect on increasing poverty. It means that any increase in inequality of income can lead to a decrease in welfare.

Based on these descriptions, per capita income reflects the level of community welfare in an area. The community welfare here is shown from the aspect of income, which in turn will affect the level of public consumption. An increasing level of public consumption will affect the demand for goods and services. Thus it will affect the sales of a product [3]. Sales and demand will drive an increase in production activities in a region. Increased production activities will require more additional capital. It is obtained from credit facilities in the financing service industry. Based on this relation between per capita income, branch network, and sales, then it can be synthesized into a hypothesis:

- H8: Population income per capita has a positive and significant impact on the number of branch network
- H9: Population income per capita has a positive and significant impact on performance (account receivables)

Based on the hypothesis development above, a research framework is developed as seen in figure 1.

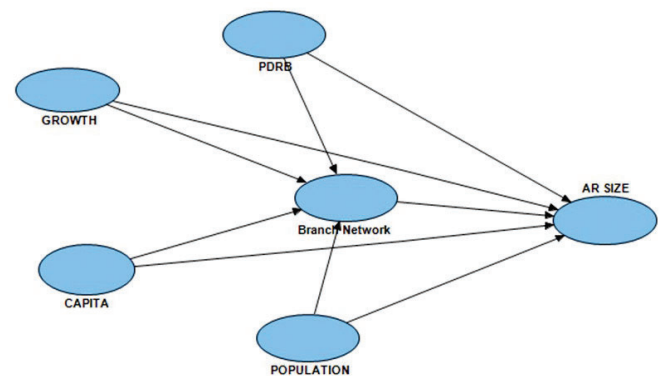


Fig. 1. Research framework.

3 Methods

This research was descriptive quantitative research using secondary data from the OJK (Financial Services Authority and the Central Statistics Agency) with a hypothesis test. The unit analysis is a province. The number of provinces analyzed in this study was 34 provinces in Indonesia. The variable was measured using the specification as described in Table 1. The scale of the variable is depicted in Table 2. The correlation between variables was analyzed using Partial Least Square. The research process will be operating in two stages. In the first stage, after building some hypotheses, the research is conducted by testing the hypotheses on several previously compiled variables. In the second stage, the process is conducted using a descriptive statistical approach to provide recommendations for the finance industry. The operationalized variables in the research here can be summarized in Table 1. Table 2 depicts the interval scale of the research variable.

Table 1. Research variable.

Variable	Code	Specification
Performance (Account Receivable)	AR	Average account receivable by province period 2015 - 2019
Distribution Channel (Branches)	NETW	Average number of branch network by region period 2016-19
Economic Growth	GROW	Average regional economic growth by constant price 2017-19
Income per Capita	PCAP	Average regional income per capita period 2017-2019
Gross Domestic Regional Product	GDRB	Average gross domestic regional product period 2015 - 2019
Population	POP	Number of people by region 2020

Table 2. Interval scale by research variable.

Scale	Account Receivable (bio)	Branch Network	Economic Growth	Income per Capita	GDRP	Population (million)
1	<1.500	<50	<3%	10-20	<50	<2
2	1500-3000	50-100	3% - 4,5%	20-30	50-100	2-3
3	3000-7000	100-150	4,5% - 5,5%	30-35	100-150	3-5
4	7.000-12000	150-250	5,5% - 6%	35-40	150-300	5-10
5	12.000-30.000	250-300	6% - 7%	40-80	300-750	10-30
6	>30.000	>500	>7%	>80	>1jt	>30

4 Results and discussion

In general, the distribution of data for each variable in each province in Indonesia used in data analysis here can be summarized in the Table 3.

Table 3. Descriptive statistics.

	AR (billion)	Branch Network	Economic Growth	per Capita (million)	GDRB (million)	Population (million)
Mean	12.498	203	5.1%	41.819	406.433	7,947
Median	4.400	102	5.3%	34.051	168.671	4,189
Minimum	594	15	-1,2%	12.285	32.855	702
Maximum	98.621	1.218	7.2%	165.882	2.390.734	48,274
Std Deviation	21.443	257	1.8%	31.647	586.078	11,291

Table 4. Statistics result.

Hypothesis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
H1 NETW -> AR	0,851	0,827	0,084	0,084	10,144
H2 GDRP -> NETW	0,802	0,796	0,094	0,094	8,501
H3 GDRP -> AR	0,911	0,883	0,127	0,127	7,161
H4 GROW -> NETW	0,207	0,221	0,044	0,044	4,663
H5 GROW -> AR	0,156	0,170	0,054	0,054	2,880
H6 POP -> NETW	0,218	0,232	0,082	0,082	2,659
H7 POP -> AR	0,077	0,110	0,119	0,119	0,644
H8 PCAP -> NETW	-0,092	-0,090	0,053	0,053	1,744
H9 PCAP -> AR	-0,078	-0,073	0,062	0,062	1,261

Hypothesis testing and statistical tests can be seen in Table 4. Based on the T-statistic figure, the first hypothesis (H1), the number of branch networks in a province has a positive and significant relationship with the account receivables, was accepted. It means that more branch networks will create more account receivables in that province. The second hypothesis (H2), GDRP has a positive and significant effect on the number of branch networks in a region, was also accepted. The third hypothesis (H3), which is that GDRB brings a positive and significant effect on account receivable, was accepted. Comparing the two

last hypotheses, the direct effect of GDRP on account receivables (0.911) is greater than the indirect effect of GDRP on the account receivables through the number of branch networks (0.802 x 0.851 = 0.683). Thus, the number of existing branch networks is not optimal yet to mediate the existing regional potential (GDRP) to become the account receivable for the financing industry.

The following hypothesis (H4) that economic growth in a province has a positive and significant relationship to the number of branch networks of the financing industry in a region was accepted with T value 4,663. The fifth hypothesis (H5), that economic growth in a province has a positive and significant relationship to the size of the financing industry's account receivable in a region, was also accepted. The direct effect of economic growth on account receivables (0.156) is smaller than the indirect effect of economic growth on accounts receivable through the number of branch networks in a region (0.207 x 0.851 = 0.176). The branch network plays a crucial role in mediating the economic growth to create a high account receivable of the financing industry in a region.

The sixth hypothesis (H6), that the population in an area has a significant and positive effect on the number of branch networks in a region, was also accepted. However, the total population in a region does not have a significant relationship to the size of accounts receivable, therefore, H7 was rejected. The indirect effect of the population in a region on account receivables through the number of branch networks (0.218 x 0.851 = 0.186) is still higher than the direct effect of the population on accounts receivable in a region (0.077). It indicates that the number of existing branch networks is already in areas with a large population. However, this branch network is still not optimal for creating higher accounts receivable in a province. The eighth hypothesis (H8), per Capita income of a province, has a negative and significant relationship with the number of branch network offices of the financing industry in a region, was rejected. The last hypothesis, the per capita income of a province has a positive and significant relationship with the number of accounts receivable, was also rejected. The higher the per capita income reflects the bankable segment so that it is less suitable for the non-bankable financing industry segment.

This study showed that the branch network has a crucial role in increasing account receivables or optimizing business potential in a region. It is evident from the most significant effect of branch network on account receivables, especially when compared to the direct impact of regional economic potential variables such as economic growth, income per Capita, and population on the size of account receivables. Besides this, the direct relationship of branch network offices on accounts receivable (0.851) is only less than the direct effect of the GDRP on accounts receivable (0.911). However, it is almost impossible to create a large account receivable without the availability of a branch network in the region. It means that branch network and GDRP are the most influenced factors in producing a high account receivable. Apart from these two variables,

the population variable of an area is the most influential factor in the number of finance industry network offices in a region but is not significant (value 0.644 less than t-table 1.696).

Likewise, the large population in an area has not encouraged the finance industry to penetrate further by opening network offices (coefficient 0.218). It shows that the large population has not been optimized, especially to create more effective penetration with the branch network in the region. Based on the most influential variables, the development priority by the financing industry should be carried out in the region with high GDRP and have a large population. The province with a large population but not yet able to be maximized by the financing industry reflects the ratio of population per branch network, which is below the national average. Using this approach, 34 provinces in Indonesia can be map-out in the form of a matrix (Table 5). It can be a basis to select priority areas to be developed to increase the accounts receivable by opening branch network offices.

Table 5. Matrix of 34 province - GDRP and population coverage.

	Jawa Timur	53.773	DKI Jakarta	19.559	Kal. Timur	16.129	
	Jawa Tengah	50.646	Jawa Barat	39.634	Banten	27.831	
	Sum. Utara	50.125	Riau	30.964	Sul. Selatan	32.905	
			A1	A2			
			B1	B2			
Lampung	50.535	Kal. Utara	48.401	Sumatera Sel.	33.802	Kal. Tengah	29.100
Papua	167.134	Papua Barat	50.969	Kep. Riau	33.845	DI Yogya	35.792
Kal. Barat	45.499	Maluku	66.628	Bali	32.040	Sul. Utara	26.089
Aceh	59.942	Sul. Barat	50.238	Sum. Barat	39.044	Sul. Tenggara	35.352
NT Barat	63.146	Maluku Utara	59.671	Jambi	24.944	Bangka Belitung	17.486
NT Timur	85.551			Kal. Selatan	23.145	Bengkulu	28.520
				Sul. Tengah	34.220	Gorontalo	23.790

Table 5 shows the mapping results into four quadrants of 34 provinces throughout Indonesia. The quadrants are divided into rows by the average GDRP covered nationwide into quadrants A and B. Average GDRP is 406,433 million per province, separate above and below average. Then these quadrants are also separated by columns by the average number of people covered by branch network offices in columns 1 and 2. On average, per branch network in the finance industry covers 43,719 people. The provinces in quadrant A1 reflect a high GDRP but are less covered by the optimum number of the branch network. Then quadrant A2 are regions with a high GDRP but are relatively sufficient to further maximize the current number of branch network offices. Quadrant B1 reflects a lower GDRP and a low number of branch networks to maximize the potential business. Finally, quadrant B2 reflects low GDRP but is relatively maximized by the optimum number of the branch network.

Based on the mapping of 34 provinces, the provinces of East Java, Central Java, and North Sumatra are the three provinces that have high GDRP but do not cover by an optimum number of the branch network. Each branch network office covers 50,125 to 53,773 people in these three provinces. It does not become effective if we

compare it to other regions. In quadrant A2, the DKI Jakarta or West Java branch network only covers 19,559 to 39,634 people. So penetration will be more effective.

5 Conclusion

Based on the hypothesis test above, the number of branch networks in a province has a positive and significant relationship with account receivable (H1 accepted). Then it is known that GDRP has a significant and positive effect on the number of branch networks in a region (H2 accepted). Then it is also known that the GDRB has a significant and positive effect on accounts receivable in the financing industry (H3 accepted). Then economic growth in a province has a positive and significant relationship with the number of branch networks in a region (H4 accepted). Then economic growth in a province has a positive and significant relationship to accounts receivable in a region (H5 accepted). Then the population in an area has a significant and positive effect on the number of branch networks in a region (H6 accept). However, the total population in a region has an insignificant effect of accounting receivable (H7 rejected). Per Capita income of a province has a negative and significant relationship with the number of branch network offices of the financing industry in a region (H8 rejected). Likewise, the per capita income of a province has a negative and insignificant relationship with the size of the account receivable (H9 reject).

The theoretical implication of this research is that there is a significant influence of the distribution channel (branch network) on performance. This is in accordance with several previous studies, such as research from [10] on the effect of distribution strategies on international tourism demand and [12] about the role of placement on business success in micro and small traders who move. in the agricultural industry in Kenya.

The implication of the research on managerial practices in the finance company industry is the existence of a branch network. It still has a crucial role in the success of the finance industry, even in advanced technological developments. Shifting from branches (offline stores) to be branchless (online stores) in other industries cannot be 100% adopted by the financing industry. In this case, placing as one of the marketing mix components that is most likely to be substituted by technology and digital marketing still plays a crucial role in supporting sales in the financing service industry. This branchless model can be applied because place and physical evidence can be replaced by digital technology. However, in the financing industry, the existence of a branch network still has a critical role in producing sales and accounts receivable. Seems from the growth in the number of branch networks in the financing industry has continued to decline over the last few years, from 27.7% (2017), 6.5% (2018), and 5.1% (2019).

To grow the account receivable in the financing industry, it requires expanding in several potential provinces. This plan must prioritize in some regions with GDRP and population. These two factors bring significant influence to the size of accounts receivable

through the existence of a branch network. There are three provinces for the branch network development: East Java, Central Java and North Sumatra. These three provinces have a relatively high GDRP, but the number of branch networks in this region is not optimal to cover the existing economy and population.

This research still has many limitations. In this research, all variables are macroeconomic indicators, and there are no other variables such as consumer behavior, consumer perspective, etc. So, although the number of branch networks still holds a crucial role in the financing industry, further research is required to find more specific reasons. Why does the finance industry still depend on branch networks as physical evidence and distribution channels in the regions? Is it because the product is a differentiator between the industry that has successfully transformed from offline to online? Products in the form of goods are different from service products. One of the differences is that goods are tangible products which can be produced and consumed at different times.

Meanwhile, service products are intangible products that are only produced and consumed simultaneously. Is this manufacturing industry with goods products easier to shift from offline to online than the service industry? Further research is required to investigate whether this difference significantly affects the switch from branches to branchless strategies.

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