Jurnal Minds:
Manajemen Ide dan Inspirasi

CULTURAL DYNAMICS AND ETHICAL MARKETING: BALINESE VALUES AND CONSUMER TRUST IN HOSPITALITY SMES

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ABSTRACT: This study explores the influence of cross-cultural factors on ethical marketing practices and consumer trust, with Balinese cultural values serving as a moderating force among hospitality MSMEs in Bali. We weave Hofstede's cultural dimensions with *Tri Hita Karana*, and offer a fresh perspective on how global ethical frameworks resonate within local spiritual contexts. A quantitative explanatory design was applied using data from 200 respondents analyzed through Partial Least Squares–Structural Equation Modeling. The results indicate that cultural orientations shape ethical marketing, which subsequently strengthens consumer trust, while Balinese values deepen this connection. The study enriches the understanding of how ethical behavior is interpreted across cultural boundaries and grounded in indigenous wisdom. The findings provide strategic guidance for MSMEs to cultivate enduring consumer trust and promote sustainable growth in culture-based tourism environments.

Keywords: Cross-Cultural Factors; Ethical Marketing Practices; Consumer Trust; Balinese Cultural Values; Hospitality SMEs

INTRODUCTION

The hospitality industry in Bali is deeply affected by cross-cultural interactions between local businesses and international visitors. In 2024, Bali recorded 625,665 foreign arrivals in July alone, with hotel occupancy rates among star hotels reaching nearly 69 percent (BPS Bali, 2024) — figures that reflect the intensity of intercultural encounters. Such high volumes of tourists bring into frequent contact differing values, perceptions, and social norms, which complicate the consistent application of ethical standards and marketing strategies. In a globalized setting, ethical marketing practices become more than promotional tools; they are pathways to earning sustainable consumer trust and protecting brand reputation (Laczniak & Murphy, 2019). This study focuses on how cross-cultural factors shape ethical marketing among MSMEs in Bali's hospitality sector, while considering how Balinese cultural values may subtly guide the effectiveness of those marketing–trust relationships.

The urgency of this research stems from the growing public awareness of the importance of ethics in the service industry, particularly in the tourism sector, which is increasingly focused on delivering a superior customer experience. In the hospitality sector, ethics plays an important role because the interaction between service providers and customers is direct, intense, and involves a high level of trust (Koc, 2020). On the other hand, the application of ethical marketing practices in MSMEs in developing countries still faces various challenges, ranging from limited resources and economic pressures to diverse understandings of cross-cultural values (Singhapakdi et al., 2019). Bali, as a global tourist destination, possesses unique cultural characteristics that make it an intriguing context for examining the relationship between culture, business ethics, and consumer behavior. Local values such as the *Tri Hita Karana* philosophy, which emphasizes harmony between humans, nature, and spirituality, form the moral foundation of Balinese society and contribute to ethical and sustainability-oriented business behavior (Rai et al., 2021). However, these values have not been empirically studied in relation to ethical marketing and consumer trust, despite both being crucial to the sustainability of businesses in this sector.

Theoretically, this study is based on two primary frameworks: Hofstede's Cultural Dimensions Theory and Social Exchange Theory (SET). Hofstede's cultural dimensions theory (2011) explains that differences in cultural values, such as individualism vs. collectivism, power distance, uncertainty avoidance, masculinity vs. femininity, and long-term orientation, influence a person's moral perceptions and ethical behavior in a business context. Meanwhile, Social Exchange Theory (Blau, 1964) emphasizes that the relationship between companies and customers is based on mutually beneficial social exchanges, with trust serving as the primary foundation for this relationship. In the context of ethical marketing, honest, transparent, and responsible behavior on the part of the company will strengthen perceptions of trustworthiness and customer loyalty to the brand (Morgan & Hunt, 1994). Additionally, Cultural Congruence Theory (Luna & Gupta, 2001) reinforces the argument that consumers are more likely to trust brands that align with their cultural values. The integration of these

three theories provides a robust conceptual framework for understanding how cross-cultural dimensions and local values impact ethical behavior and consumer trust in the hospitality industry.

A review of the literature highlights key research gaps that frame the urgency of this study. Prior works have largely examined large firms or multinationals in developed economies, leaving MSMEs in cultural tourism contexts underexplored. Hsu and Bui (2022) analyzed CSR in Taiwan, Vietnam, and Indonesia, yet their focus did not capture the distinct realities of hospitality MSMEs, characterized by limited resources, agility, and close consumer ties. Similarly, Servera-Francés and Piqueras-Tomás (2019) found ethical practices promote loyalty in Europe, though such patterns may differ in diverse settings like Indonesia. Culturally, most cross-cultural studies, including Hofstede (2011) and Minkov and Hofstede (2020), remain at the national level, overlooking local wisdom such as *Tri Hita Karana*, which guides harmony among humans, nature, and spirituality. While Brunk (2010) and Kim and Lee (2019) showed that ethical congruence fosters trust, none explored how indigenous values might moderate this link. Methodologically, few models—such as those by Vitell et al. (2018) and Hsu and Bui (2022)—incorporate cross-cultural or local variables as core determinants of ethical marketing and trust. Consequently, comprehensive frameworks combining culture, ethics, and local wisdom are still rare in Southeast Asian hospitality research. This study addresses these gaps by developing a contextual model that connects cross-cultural dimensions, ethical marketing, and consumer trust within the Balinese MSME setting.

This study integrates Hofstede's cultural dimensions with Balinese values to frame ethical marketing within MSMEs operating in the hospitality sector. It connects global perspectives on business ethics with locally embedded cultural practices, advancing cross-cultural understanding through the inclusion of indigenous moderating elements rarely examined in developing tourism contexts. The findings offer practical direction for hospitality MSMEs in formulating ethical marketing strategies that reflect cultural integrity while fostering consumer trust and competitiveness. By aligning universal ethical principles with Balinese wisdom, MSMEs can cultivate responsible marketing practices that enhance destination reputation and contribute to the long-term sustainability of Bali's tourism ecosystem.

THEORETICAL REVIEW

Cross-Cultural Factors and Ethical Marketing Practices

Cross-cultural factors describe the extent to which the social values, norms, and beliefs of a society influence the behavior of individuals and organizations in a business context. Hofstede (2011) developed a theory of cultural dimensions that explains that cultural differences between countries or social groups can shape the way individuals view ethics, social responsibility, and moral decisions. The five main cultural dimensions relevant to this study are individualism versus collectivism, power distance, uncertainty avoidance, masculinity versus femininity, and long-term orientation.

The individualism vs. collectivism dimension illustrates the extent to which individuals prioritize their personal interests or the interests of their group. In collectivist societies, ethical decisions are often based on the pursuit of social harmony and collective well-being (Triandis, 2018). Meanwhile, power distance explains the extent to which power inequality is accepted in society. In cultures with high power distance, ethical decisions are often influenced by authority and organizational hierarchy (Hofstede, 2011).

The uncertainty avoidance dimension relates to tolerance for ambiguity and uncertainty. Cultures with high uncertainty avoidance levels typically have stricter regulations and moral standards to minimize risk (Minkov & Hofstede, 2020). Meanwhile, the relationship between masculinity and femininity relates to value orientation in society; feminine cultures emphasize social concern, empathy, and balance, which support ethical marketing practices (Minkov & Kaasa, 2021). Finally, long-term orientation reflects society's orientation towards the future, sustainability, and long-term commitment, which directly encourages businesses to prioritize ethical values and social responsibility (Chang et al., 2020).

Previous research has shown a significant relationship between cultural factors and ethical business practices. Singhapakdi et al. (2019) found that collectivist cultural orientation and long-term orientation strengthen ethical sensitivity in marketing decision-making. A cross-cultural study by Hsu & Bui (2022) also shows that cultural value differences influence consumer perceptions of corporate social responsibility. Thus, cultural dimensions play a significant role in shaping the extent to which businesses incorporate ethical principles into their marketing activities.

H1a: Individualism vs. Collectivism has a positive effect on ethical marketing practices.
H1b: Power Distance affects ethical marketing practices.
H1c: Uncertainty Avoidance positively affects ethical marketing practices.
H1d: Masculinity vs. Femininity affects ethical marketing practices.
H1e: Long-Term Orientation positively affects ethical marketing practices.

Ethical Marketing Practices and Consumer Trust

Ethics in marketing (ethical marketing practices) is the application of moral values, transparency, and social responsibility throughout the entire marketing process, from product design and communication to customer service. Laczniak and Murphy (2019) define marketing ethics as an effort to maintain a balance between business interests and social welfare, which reflects the integrity of the company. Ethical marketing practices include honesty in promotion, openness of product information, fair pricing, and a commitment to customer satisfaction and safety (Laczniak & Santos, 2021).

Empirical research shows that ethical marketing practices have a direct effect on consumer trust. Servera-Francés and Piqueras-Tomás (2019) prove that ethical corporate behavior strengthens customer loyalty by increasing perceptions of brand reliability and integrity. Similarly, Vitell et al. (2018) found that ethical perceptions have a significant influence on brand trust and consumer purchase intent. In the hospitality context, where the relationship between

service providers and consumers is direct and personal, ethical practices are the primary foundation for building and maintaining trust (Brunk, 2010; Koc, 2020).

Based on social exchange theory (Blau, 1964), ethical relationships foster mutual trust and long-term commitment between businesses and consumers. Therefore, the higher the level of ethical implementation in marketing, the greater the level of consumer trust that is formed.

H2: Ethical marketing practices have a positive effect on consumer trust.

Moderating Role of Balinese Cultural Values

Local culture plays a crucial role in fostering the connection between ethical behavior and consumer trust. In the context of Bali, the cultural value of *Tri Hita Karana* serves as a moral foundation that emphasizes harmony between humans (*pawongan*), nature (*palemahan*), and God (*parahyangan*) (Rai et al., 2021). These values not only guide social interactions but also shape moral and spiritual orientations in business activities.

Research by Yudiana and Dewi (2020) shows that the application of *Tri Hita Karana* values in tourism business management enhances company reputation and builds stronger trust relationships with customers. These findings are consistent with Cultural Congruence Theory (Luna & Gupta, 2001), which asserts that congruence between corporate values and cultural values strengthens positive perceptions of brand integrity and authenticity. When MSME actors in Bali integrate local values into ethical marketing practices, such behavior is not only considered moral but also authentic and in line with the social expectations of the local community. Therefore, Balinese cultural values act as a moderating variable that strengthens the relationship between ethical marketing practices and consumer trust. The higher the application of local cultural values in business, the stronger the influence of marketing ethics on the formation of customer trust.

H3: Balinese cultural values moderate the relationship between ethical marketing practices and consumer trust, thereby strengthening this positive influence.
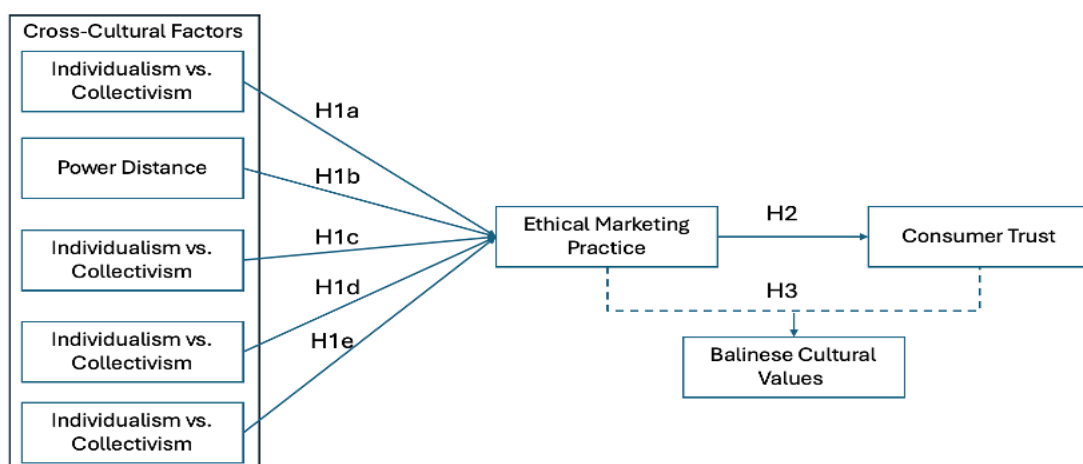

Figure 1. Conceptual Framework

RESEARCH METHOD

This study adopts a quantitative, explanatory research design to examine the causal relationships among the constructs of cross-cultural factors, ethical marketing practices, and consumer trust, with Balinese cultural values serving as a moderating variable. The quantitative approach was chosen because it allows for the empirical testing of theoretical relationships derived from Hofstede's cultural theory, ethical marketing models, and social exchange perspectives.

Data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) via SmartPLS 4.0software. The PLS-SEM technique was selected because it is suitable for complex models involving multiple latent constructs, can handle small to medium sample sizes, and does not assume data normality (Hair et al., 2021). It is particularly effective for predictive modeling and exploratory theory development.

The population of this study comprises small and medium-sized enterprises (SMEs) operating in the hospitality sector in Bali, including boutique hotels, villas, restaurants, cafés, and travel agencies. These enterprises were selected because they operate within a multicultural context involving both domestic and international customers.

The sampling technique used was purposive sampling, with the following inclusion criteria:

1. The business has been operating for at least two years.
2. The business serves both domestic and international customers (cross-cultural interaction);
3. The respondent is the owner or manager directly responsible for marketing and customer relationship decisions.

As of Hair et al. (2021), for PLS-SEM models with moderate complexity and multiple constructs, a minimum sample size of 200 is sufficient to achieve statistical power (0.80) with 5% significance. Thus, 200 valid responses were collected and analyzed in this study.

Data were collected using a structured questionnaire divided into four main sections: demographic information, cross-cultural factors, ethical marketing practices, consumer trust, and Balinese cultural values. All items were measured on a five-point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The questionnaire was developed from well-established measurement scales adapted to the cultural context of Bali, and presented in Appendix 1.

Data collection was conducted over three months (May–July 2025). The questionnaires were distributed both online and offline through professional associations such as the Bali Hotel Association (BHA) and Apkrindo Bali, as well as through local SME networks registered with the Bali Tourism Office, Indonesia. A pilot test involving 30 respondents was conducted to assess the clarity, wording, and relevance of questionnaire items. The results confirmed reliability, with Cronbach's Alpha values exceeding 0.70 for all constructs. The primary survey then proceeded, yielding 200 valid responses after data cleaning and screening. All respondents were informed of the study's purpose, confidentiality, and voluntary nature before participating in the study. Data were anonymized and used solely for academic research purposes.

The data were analyzed using the Partial Least Squares–Structural Equation Modeling (PLS-SEM) approach, which involves two stages of analysis, as outlined by Hair et al. (2021). The first stage involved evaluating the measurement model (outer model), which aimed to assess the quality of the indicators in representing the latent constructs. This evaluation included testing convergent validity, which was determined through factor loading values (> 0.70) and Average Variance Extracted (AVE > 0.50); internal consistency reliability, which was tested using Composite Reliability (CR > 0.70) and Cronbach's Alpha (> 0.70); and discriminant validity, which was examined using the Fornell–Larcker and Heterotrait–Monotrait Ratio (HTMT < 0.90) criteria.

The second stage involves evaluating the structural model (inner model), which aims to test the causal relationships between latent variables. This process involves examining multicollinearity through the Variance Inflation Factor (VIF < 5), assessing path coefficients using a bootstrapping procedure with 5,000 resamples, and testing the R^2, Q^2, and f^2 values to evaluate the model's strength and predictive power. Additionally, this analysis examines the moderating effect of Balinese cultural values on the relationship between ethical marketing practices and consumer trust. This two-stage approach enables a comprehensive analysis, allowing for the testing of both direct effects and moderating effects among the research constructs.

The research adhered to ethical standards for social science studies. Participation was voluntary, and all respondents provided informed consent. Their anonymity and confidentiality were ensured throughout the research process. The data were collected solely for academic purposes, with no financial incentives or conflicts of interest reported by the researchers.

RESULTS

Respondent Demographic Statistics

This section presents an overview of the demographic characteristics of the 200 research respondents. These descriptive statistics are used to understand the profile of the respondents sampled in the study, thereby providing a more comprehensive picture of the social and business context of MSME actors in the hospitality sector in Bali. Demographic data includes gender, age, education level, position in the business, length of business operation, and business type category as reported in Table 1.

Of the 200 respondents, the majority were male (59%) and of productive age (31–40 years old) (37%), indicating the dominance of male entrepreneurs who are experienced in managing hospitality MSMEs in Bali. Most respondents had a bachelor's degree (39%) and a diploma (29%), indicating adequate knowledge to understand managerial, marketing, and business ethics aspects. In terms of position, 63% of respondents were business owners, while 26% were operational managers and 11% were marketing managers.

Table 1. Demographic Statistics

Characteristic	Category	Frequency	Percentage
Gender	Male	118	59
	Female	82	41
Age (years)	21–30	46	23
	31–40	74	37
	41–50	52	26
	>50	28	14
Educational Level	High School / Vocational	42	21
	Diploma (D1–D3)	58	29
	Bachelor's Degree (S1)	78	39
	Postgraduate (S2/S3)	22	11
Position	Business Owner	126	63
	Operations Manager	52	26
	Marketing Manager	22	11
Years of Business Operation	< 2 years	16	8
	2–5 years	78	39
	6–10 years	66	33
	>10 years	40	20
Type of Business	Hotel / Accommodation	68	34
	Restaurant / Café	74	37
	Travel Agency	36	18
	Others (Spa, Event Organizer, etc.)	22	11

This means that most strategic and ethical decisions were made by those directly responsible for the business. Based on the length of time the business has been operating, the majority of MSMEs have been in operation for 2–5 years (39%) and 6–10 years (33%), indicating stability in their growth stage. The most represented types of businesses are restaurants and cafes (37%), followed by hotels/lodging (34%) and travel agencies (18%). Overall, these characteristics suggest that the respondents are educated and experienced business professionals, providing a solid foundation for analyzing the relationship between cross-cultural factors, ethical marketing practices, and consumer trust within the Balinese cultural context.

Measurement Model Evaluation

Measurement model evaluation was conducted to ensure that each indicator used in this study accurately represented the latent constructs being measured. This analysis comprised three main stages, namely (1) convergent validity, (2) internal reliability, and (3) discriminant validity. The testing was conducted using a reflective measurement model approach through SmartPLS 4.0 software, as recommended by Hair et al. (2021).

Convergent validity aims to assess the extent to which indicators of a construct are highly correlated with each other. Indicators are considered valid if the factor loading value is ≥ 0.70 and the Average Variance Extracted (AVE) value is ≥ 0.50. The test results show that all indicators have a factor loading value above 0.70, ranging from 0.713 to 0.894. This value indicates that each question item can adequately explain the latent construct. In addition, the AVE values for each construct were in the range of 0.52–0.74, which means that the relevant

latent construct explained more than 50% of the indicator variance. Thus, all constructs met the criteria for convergent validity as in Table 2.

Table 2. Convergent Validity Test Results (Loading and AVE)

Constructs and Indicators	Items	Loading
Cross-Cultural Factors (AVE = 0,65)		
Individualism vs. Collectivism	X1.1	0,816
	X1.2	0,784
	X1.3	0,805
Power Distance	X2.1	0,727
	X2.2	0,749
	X2.3	0,771
Uncertainty Avoidance	X3.1	0,861
	X3.2	0,847
	X3.3	0,819
Masculinity vs. Femininity	X4.1	0,713
	X4.2	0,755
	X4.3	0,739
Long-Term Orientation	X5.1	0,859
	X5.2	0,842
	X5.3	0,823
Honest and transparent communication	M1	0,888
Fairness in pricing and service	M2	0,864
Social responsibility toward customers and environment	M3	0,851
Consistency between ethics and business actions	M4	0,742
Consumer Trust (AVE = 0,72)		
Integrity: honesty and fairness	Y1	0,894
Integrity: reliability of service	Y2	0,874
Benevolence: customer care	Y3	0,783
Benevolence: prioritizing customer needs	Y4	0,756
Competence: professional capability	Y5	0,872
Competence: understanding customer needs	Y6	0,842
Balinese Cultural Values (AVE = 0,68)		
Pawongan (human harmony)	Z1	0,773
Palemahan (environmental balance)	Z2	0,872
Parahyangan (spiritual ethics)	Z3	0,826

The results in Table 3 confirm that all indicators have a loading factor > 0.70, indicating that each question consistently measures the intended construct. In addition, the AVE values for all constructs are above 0.50. Thus, all constructs in this study meet the criteria for convergent validity, and no indicators need to be eliminated from the measurement model. Internal reliability is used to measure consistency between indicators in the same construct. Two parameters used in this study are Composite Reliability (CR) and Cronbach's Alpha (CA) (Hair et al., 2021) (see Table 3).

Table 3. Reliability Revelation

Construct	(CR)	Alpha (CA)	Criteria	Decision
Cross-Cultural Factors	0,91	0,88	≥ 0,70	Reliable
Ethical Marketing Practices	0,93	0,90	≥ 0,70	Reliable
Consumer Trust	0,94	0,92	≥ 0,70	Reliable
Balinese Cultural Values	0,89	0,85	≥ 0,70	Reliable

We find all constructs used in this research model can be declared reliable, meaning that each indicator item consistently measures the intended ethical, cultural, and belief concepts. This leads to further examine the discriminant validity tests using the Fornell–Larcker criteria as in Table 4.

Table 4. Discriminant Validity (Fornell–Larcker Criteria)

Construct	CCF	EMP	CT	BCV
Cross-Cultural Factors (CCF)	0,81	—	—	—
Ethical Marketing Practices (EMP)	0,62	0,84	—	—
Consumer Trust (CT)	0,55	0,68	0,85	—
Balinese Cultural Values (BCV)	0,49	0,53	0,60	0,82

Note: Diagonal values (bolded) indicate the square root of the AVE for each construct.

These results confirm that the measurement model in this study has met all discriminant validity criteria, so that each construct can be clearly distinguished empirically. Based on the results of testing convergent validity, internal reliability, and discriminant validity, it can be concluded that all constructs in this research model meet the statistical criteria recommended by Hair et al. (2021). All indicators have factor loading values above 0.70; AVE values above 0.50; and reliability (CR and CA) above 0.70. Thus, the measurement model used in this study is declared valid and reliable, and is feasible to proceed to the structural model analysis stage (inner model) to test the causal relationships between variables and confirm the research hypotheses.

The multicollinearity test is used to ensure that there is no high correlation between independent variables that could interfere with the stability of the model estimation. Based on the analysis results, all constructs have VIF values below the threshold of 5.0 as recommended by Hair et al. (2021). The VIF value for the Cross-Cultural Factors construct on Ethical Marketing Practices is 3.12, while Ethical Marketing Practices on Consumer Trust is 2.75. Meanwhile, Balinese Cultural Values as a moderator variable has a VIF value of 1.68. Thus, there is no indication of multicollinearity between latent variables in the model.

The R^2 (R-square) value shows the proportion of variance in the endogenous construct that can be explained by the exogenous construct in the model. Based on the analysis results, the Ethical Marketing Practices construct has an R^2 value of 0.46, which means that 46% of the variance in ethical marketing practices can be explained by cross-cultural factors. Furthermore, the Consumer Trust construct has an R^2 value of 0.59, which means that 59% of the variance in consumer trust can be explained by Ethical Marketing Practices and the moderating effect of Balinese Cultural Values. R^2 values of 0.46 and 0.59 are classified as moderate to strong, according to Hair et al. (2021), who classify them as follows:

Research Hypothesis Testing

Hypothesis testing was conducted to examine the direct, indirect, and moderating effects between variables according to the conceptual model of the study. The testing was performed using the bootstrapping method with 5,000 resamples and a significance level of 5% ($\alpha = 0.05$). In general, the analysis results show that most hypotheses are accepted (see Table 5), with positive and

significant path coefficients (β) values (p-value < 0.05), except for the Masculinity vs. Femininity dimension, which is not significant (see the path in Figure 2).

Table 5. Model Summary

Hypothesis / Relationship	Path (β)	t-value	p-value	Decision
H1a: Individualism–Collectivism → Ethical Marketing Practices (EMP)	0.221	3.840	0.000	Accepted
H1b: Power Distance → EMP	0.103	2.010	0.045	Accepted
H1c: Uncertainty Avoidance → EMP	0.189	3.110	0.002	Accepted
H1d: Masculinity–Femininity → EMP	−0.054	1.080	0.280	Rejected
H1e: Long-Term Orientation → EMP	0.267	4.240	0.000	Accepted
Model Summary for EMP	R^2 = 0.46 (Moderate) • Q^2 = 0.31 (Relevant) • f^2 = 0.27 (Moderate)			
Cross-cultural factors significantly influence ethical marketing practices, explaining moderate variance and demonstrating good predictive relevance.				
H2: Ethical Marketing Practices → Consumer Trust (CT)	0.612	9.330	0.000	Accepted
H3: Moderation of Balinese Cultural Values × EMP → CT	0.167	2.840	0.005	Accepted
Model Summary for CT	R^2 = 0.59 (Moderate–Strong) • Q^2 = 0.44 (Relevant) • f^2 = 0.54 (Large) • Moderation f^2 = 0.12 (Small–Moderate)			
Ethical marketing strongly predicts consumer trust, and Balinese cultural values enhance this relationship, reinforcing cross-cultural depth and model robustness.				

Notes: EMP = Ethical Marketing Practices; CT = Consumer Trust; BCV = Balinese Cultural Values.
All path coefficients are significant at p < 0.05 except H1d. R^2 and Q^2 indicate moderate to strong explanatory and predictive power, confirming model adequacy.
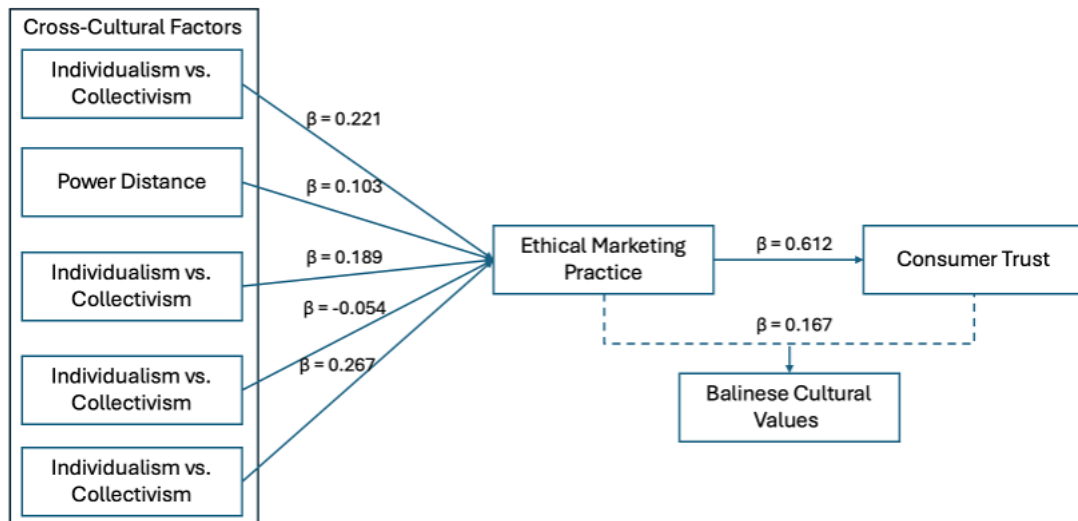

Figure 2. Path Presentation

DISCUSSION

The findings reveal that cross-cultural factors, marketing ethics, and local cultural values are interwoven in shaping consumer trust among hospitality MSMEs in Bali, reaffirming that the practice of business ethics is inseparable from

the cultural context in which it operates (Hofstede, 2011). In the proposed model, cross-cultural factors significantly influence ethical marketing behavior, where four of Hofstede's dimensions—individualism–collectivism, power distance, uncertainty avoidance, and long-term orientation—exerted positive effects. These results indicate that cultural value orientations are not abstract constructs but shape moral reasoning and everyday marketing practices of MSME actors. In the Balinese context, collectivist and long-term orientations foster transparency, fairness, and reputation building, resonating with Singhapakdi et al.'s (2019) argument that ethical sensitivity is molded by the cultural value system underlying managerial judgment. Moreover, a moderate power distance environment cultivates compliance with morally responsible leadership, wherein business owners serve as ethical exemplars who anchor the organization's conduct.

These patterns align with Social Exchange Theory (Blau, 1964), emphasizing that market relationships rest upon reciprocal exchanges where trust forms the social currency. The acceptance of H2 confirms that ethical marketing directly enhances consumer trust—underscoring that honesty, fairness, and social responsibility are not merely moral ideals but determinants of customer confidence and loyalty. This is consistent with the evidence from Vitell et al. (2018) and Servera-Francés and Piqueras-Tomás (2019), who demonstrated that ethical behavior strengthens corporate image and nurtures durable consumer relationships. For hospitality MSMEs dependent on reputation and repeat patronage, ethics thus becomes both a strategic and relational asset.

The moderating effect of Balinese Cultural Values (H3) further reinforces this relationship. Rooted in the *Tri Hita Karana* philosophy—*Pawongan* (harmony among people), *Palemahan* (responsibility toward nature), and *Parahyangan* (spiritual harmony with God)—these values enhance the authenticity and credibility of ethical practices. When businesses align marketing behavior with this triadic moral order, consumers perceive congruence between business conduct and community values, deepening trust and attachment. This finding supports Cultural Congruence Theory (Luna & Gupta, 2001), which posits that alignment between corporate and societal values strengthens perceptions of authenticity and loyalty. In the Balinese setting, where spirituality and community interdependence are integral to identity, ethical marketing that reflects cultural alignment becomes a competitive differentiator—distinguishing value-driven firms from profit-only enterprises.

This study integrates the Hofstede's global framework, Blau's (1964) social exchange logic, and Luna and Gupta's (2001) cultural congruence lens suggests that ethical marketing in Bali thrives where universal morality and local wisdom intersect. The success of hospitality MSMEs rests not only on service quality or price competitiveness but on their ability to embody honesty, harmony, and spirituality in every market interaction.

FURTHER STUDY

This study shows that ethical marketing in Bali's hospitality MSMEs is most effective when global cultural orientations and local wisdom coevolve.

Extending cultural-dimensions logic to micro-enterprise settings, we find that collectivism and long-termism shape everyday moral judgment, while ethics operate as relational capital that converts fair, transparent behavior into durable trust. The moderating role of *Tri Hita Karana* reframes local wisdom as an active governance mechanism rather than background context, culminating in a Culturally Embedded Ethical Marketing perspective that aligns universal principles with indigenous norms. MSMEs should institutionalize this alignment through codes of conduct, staff training, service scripts, community partnership protocols, and environmentally responsible SOPs; destination managers and policymakers can amplify these efforts via culture-based capability programs, incentives, and standards that reward authenticity, social stewardship, and environmental care—strengthening reputation, loyalty, and sustainable competitiveness.

The evidence is bounded by a single destination and sector, cross-sectional design, and self-reported perceptions, with potential unobserved heterogeneity and limited objective outcomes. Future studies should test this model across destinations and tourism subsectors, adopt longitudinal or experimental designs, and mix survey data with behavioral and performance indicators (e.g., repeat visitation, ratings, ESG metrics). Comparative assessments of alternative cultural frameworks (e.g., GLOBE, Schwartz), multi-level and measurement-invariance tests, and configurational approaches (e.g., fsQCA, NCA) can clarify boundary conditions such as varying power distance or market turbulence. Digital ethnography and platform data can illuminate how culturally embedded ethics travel through online touchpoints. Advancing along these lines will help institutionalize culturally grounded ethical marketing as a repeatable capability for tourism MSMEs and the destinations that depend on them.

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Appendix 1. Operational Variables

Variable	Dimension / Sub-Variable	Indicators	Source
Cross-Cultural Factors (X)	*Individualism vs. Collectivism*	X1.1 Prioritizing group interests over individual benefits. X1.2 Maintaining social harmony is more important than competition. X1.3 Business decisions are made for collective welfare.	Hofstede (2011); Yoo et al. (2011); Singhapakdi et al. (2019)
	Power Distance	X2.1 Accepting differences in power as natural. X2.2 Leaders' decisions are considered ethical guidelines. X2.3 Hierarchical relationships influence ethical decision-making.	Hofstede (2011); Minkov & Hofstede (2020)

	Uncertainty Avoidance	X3.1 Following rules and procedures to avoid mistakes. X3.2 Preferring clarity and certainty in business decisions. X3.3 Avoiding risk through careful ethical planning.	Alnawas & Altarifi (2016); Minkov & Hofstede (2020)
	Masculinity vs. Femininity	X4.1 Emphasizing cooperation rather than competition. X4.2 Valuing social welfare more than financial performance. X4.3 Appreciating empathy and fairness in business interactions.	Hofstede (2011); Minkov & Kaasa (2021)
	Long-Term Orientation	X5.1 Emphasizing long-term business relationships. X5.2 Valuing sustainability and ethical reputation. X5.3 Focusing on responsible long-term investment.	Chang et al. (2020); Hofstede (2011)
Ethical Marketing Practices (M)	—	M1. Providing honest and transparent product information. M2. Setting fair prices and avoiding misleading promotions. M3. Demonstrating social responsibility toward customers and the environment. M4. Maintaining consistency between ethical values and business actions.	Laczniak & Murphy (2019); Servera-Francés & Piqueras-Tomás (2019)
Consumer Trust (Y)	*Integrity*	Y1. The company behaves honestly and can be trusted. Y2. The company delivers on its service promises.	Mayer et al. (1995); Morgan & Hunt (1994)
	Benevolence	Y3. The company cares about customers' interests. Y4. The company places customers' needs as a priority.	Brunk (2010); Hsu & Bui (2022)
	Competence	Y5. The company demonstrates professional capability in serving customers. Y6. Employees understand customers' needs well.	Morgan & Hunt (1994); Vitell et al. (2018)
Balinese Cultural Values (Z)	*Tri Hita Karana*	Z1. *Pawongan:* Maintaining harmonious relationships among people. Z2. *Palemahan:* Upholding environmental sustainability and balance. Z3. *Parahyangan:* Conducting business with moral and spiritual values.	Rai et al. (2021); Yudiana & Dewi (2020)