Universiti Utara Malaysia

STUDY ON MIDDLE INCOME EARNERS PERCEPTION, READINESS, ACCEPTANCE AND PURCHASING BEHAVIOUR TOWARDS GOODS AND SERVICES TAX (GST) IMPLIMENTATION: CASE OF MAYBANK AND CIMB BANK IN KEDAH AND PERLIS

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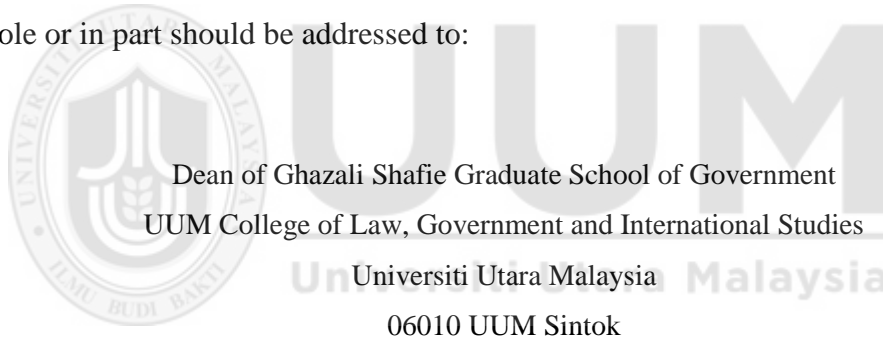
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ABSTRAK

Cukai merupakan sumber terbesar kerajaan dan Cukai Barang dan Perkhidmatan (GST) adalah sebahagian daripadanya. GST sangat signifikan bukan sahaja kepada peningkatan hasil kerajaan, malah disifatkan menyumbang kepada pertumbuhan ekonomi negara. Di Malaysia, kerajaan telah melaksanakan GST pada tahun 2015. Sejak pengumuman pelaksanaannya dibuat, kegusaran para pengguna terhadap beban cukai GST mula terdengar. Pengguna khususnya golongan yang berpendapatan sederhana dan ke bawah bimbang tentang kenaikan harga barang keperluan harian dan tidak dapat mengelak kesan yang dicipta oleh GST memandangkan asas liputan cukainya meluas. Di dorong oleh kegusaran pengguna khasnya golongan berpendapatan sederhana, kajian ini bertanggungjawab untuk menganalisis persepsi, persediaan dan penerimaan serta gelagat perbelanjaan mereka selepas pelaksanaan GST. Bagi maksud tersebut, golongan berpendapatan sederhana yang bekerja di Maybank dan CIMB di Alor Setar dan Perlis dipilih sebagai responden. Hasil kajian mendapati bahawa golongan berpendapatan sederhana masih tidak dapat menerima pelaksanaan GST dan gelagat perbelanjaan golongan ini semakin berkurangan disebabkan kuasa beli yang semakin menurun. Pendedahan dari dapatan kajian ini diharapkan membentuk pemahaman umum tentang penerimaan GST dalam kalangan pengguna. Kajian ini juga meletakkan harapan agar pihak kerajaan merangka strategi baru yang effektif dalam meringankan beban golongan berpendapatan sederhana supaya lestari meneruskan kelangsungan hidup dalam keadaan ekonomi yang kian mencabar.

Kata kunci: GST, persepsi, persediaan, penerimaan, gelagat pembelian.

ABSTRACT

One of the main sources for government revenue is tax and Goods and Services Tax (GST) is a part of it. GST is very significance to the government revenue and it also contributes to the economic growth. In Malaysia, the government has implemented the GST in 2015. Since the announcement of GST implementation, the consumers start to worry about the taxes burden that they have to face. Consumers especially those in the middle income and below are concerned about price increases on basic needs and they cannot avoid the impact of GST because the coverage of the taxes are huge. Hence, this study is responsible to analyze middle income earners consumer perceptions, readiness, acceptance of GST and their purchasing behaviour after the GST implementation. Thus, middle income earners who work at Maybank and CIMB bank in Alor Setar and Perlis were chooses as the respondents for this study. The finding shows that the middle income earners still cannot accept the GST implementation and their consumptions behaviour were significantly changes due to the declining of purchasing power. This study was expected to form a general understanding regarding consumer's acceptance on GST. It also hopes that the government can make new strategies in order to reduce the burden faced by middle income earners so that they can survive in today challenging economic situation.

Keywords: GST, perception, readiness, acceptance, purchasing behaviour.
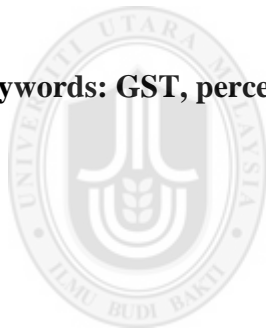
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TABLE OF CONTENT

CHAPTER 1

INTRODUCTION

1.1   Background of the Study

Goods and Services Tax (GST) is a consumption tax based on the value-added concept. It means that all Malaysian will be taxed based on their spending behavior despite of income. This is different from income tax which is only applied after a certain income is exceeded. The idea of GST was invented in Malaysia in 1989. However, in 2005 for the first time GST was formally announced in Budget 2005 for implementation in 2007 but deferred in February 2006. After that, the first reading of the GST bill was tabled in Parliament in 2009 for implementation in 2011, but was withdrawn in 2010. Then, a revised GST bill was tabled in Parliament on 31 March 2014 for a first reading. During Budget 2014 presentation, GST has formally announced for implementation on 1 April 2015 at rate 6 percent.

GST is a broad-based indirect and multi-stage consumption tax levied on goods and services that made or produced in and imported into Malaysia but not exported out of Malaysia. GST is levied on the value of the supply of goods and services, or value-added by each entity at each stage of the supply chain from manufacturers or suppliers at the production stage, wholesalers at the wholesale stage, retailers or providers at the distribution stage, up to end-consumers, except items on a specific list of exempted and zero-rated goods and services.

Businesses with annual turnover of taxable supplies or transactions above the RM500, 000 thresholds must register under the GST regime although those below may register voluntarily. The Royal Malaysian Customs Department (RMCD) will manage and administer the GST implementation in Malaysia. There are three categories of taxable goods and services. First one is *'standard rated goods and services'*. In this category GST is at a full rate (6% in Malaysia) at all stages of the supply chain. The second category is *'zero-rated goods and services'*. In this category GST is at 0% for end-consumers as businesses can claim input tax credits at various stages in the supply chain. The last category is *'exempted goods and services'*. In this category is not subject to GST as businesses cannot claim input tax credit or charge output tax to end-consumers.

GST or known as Value Added Tax (VAT) have applied in more than 160 all over the world and approximately only 40 countries that do not implement GST or VAT (Siti Norbaya et al., 2014). GST is a tax collected by the government not directly from the taxpayers, so it is an indirect tax. The tax paid to the government through the sellers. The main objective of GST is to cover the liability deficit and to earn more national revenue (Siti Norbaya et al., 2014). From the buyers' side, GST is a tax on the purchase cost (Siti Norbaya et al., 2014). On the other hand, the seller view GST as a tax only on the value added whether to a product or service (Siti Norbaya et al., 2014). The rationale of VAT is to generate tax revenues to the government alike to the business income tax or the individual income tax (Siti Norbaya et al., 2014).

GST, also known as the value added tax (VAT) in many countries, is a multi-stage consumption tax on goods and services (Royal Malaysia Customs, 2013a). GST is imposed on goods and services at every production and distribution stages in the supply chain, including importation of goods and services (Ministry of Finance Malaysia, 2013). In Malaysia, GST will replace the present consumption tax comprising the Sales Tax and the Service Tax (SST). The GST implementation is part of the government's tax reform program to enhance the capability, effectiveness and transparency of tax administration and management. Implementation wise, GST shall be prosecuted and charged on the taxable supply of goods and services made in the course or furtherance of business in Malaysia by a taxable person and it is also can be charged based on the importation of goods and services (Royal Malaysia Customs, 2013b).GST is proven to be a better tax system and could spur economic growth as well as increase competitiveness in the global market (Ministry of Finance Malaysia, 2013).
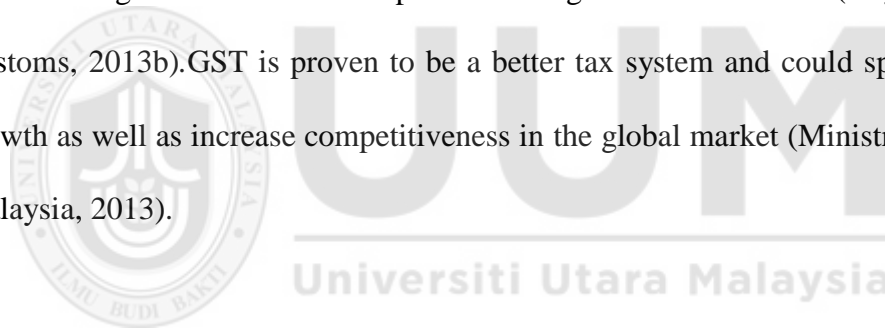
Malaysia has been confronted with fiscal deficit for more than a decade. The budget deficit accounted 7 percent of the country's gross domestic product in the year 2009 and the government trying to reduce it to lesser than 4 percent by the year 2015. Due to fiscal deficit and declining revenue, the government has taken several methods to solve the issue by cut down unnecessary government expenditure. Besides that, the government also proposes to implement GST in Malaysia in order to stabilize and increase the revenue.

Initially, GST has been recommended by The International Monetary Fund (IMF) as a way to raise the efficiency of the Malaysia tax system and also increase

the tax collection. With the introduction of GST, the government hopes that there is an opportunity to reduce corporate and individual income tax rates. However, consumers are worried about price increases on basic needs if the GST has been implemented. Nowadays, the cost of living is high, especially in big cities like Kuala Lumpur, Penang, Johor Bahru also in Sabah and Sarawak. If there are significant price increases due to GST, it will burden the middle class and lower class income earners. It is widely believed that for the implementation of GST to go down well with consumers, the scheme has to come with some compensatory measures such as the reduction of income taxes to put more money in the pockets of households and to boost their purchasing power.

Every country has their economic intention suitable to the GST implementation. For instance, the usage of GST in New Zealand is unlikely being a useful stabilization instrument for monetary policy (Claus, 2008). The study shows that using GST as a monetary policy instrument in New Zealand has led a larger alteration in the policy instruments and fluctuations in the real economy and inflation (Siti Norbaya et al., 2014).

1.2 Problem Statement

When GST was implemented in Canada in 1991, there was a lot of reaction from the citizen. The Canadians believe that the middle income earners will be affected most because of the GST. From the study, it shows that Canadians with income under $10,000 have an average income of $6,358 yet report consumption, spending on food, clothing, and shelter of $12,186 (Young, 2003). They actually spend far more

4

than they earn. Many of the lowest income households are seniors and are spending their savings. Although the Canada governments try to convince the citizen the benefit of GST for middle income earners, it still gives a huge impact to the middle income class earners. The government has introduced a GST credit to protect the middle income class in Canada, but it still fails to meet the goals. As a result, in 2001, many Canadians middle income earners are worse off as a result of the GST implementation.

In Malaysia, the main objective of implementing GST is to gain more national revenue and cover the debt deficit (Siti Norbaya et. al, 2014). Since year 1970s, the Federal Government has experienced suffering from deficit budget, which recorded average 9.9 percent within the year 1970-1989 (Md. Zyadi, 1995) and the highest rate 7.2% deficit per GNP in 1980 (Suresh, 2001). Spurred by the deficit budget until today, the government seems excited to realize GST in April 2015. As opposed to the position of government budget, this broad-based tax is believed will burden the middle income earners (RM 1000 to RM 3000) and below. According to Hwa and Qi (2013), *"the lowest income households with an average monthly income of RM605 will pay 2.35 percent of their income in GST. However the highest income household with an average monthly income of RM30,815 will bear only 1.32 percent burdens"*. In other words, GST affects middle income household, which they spend about 80 percent of their income on food as compared to 20 percent in higher income household. The middle income earning power has diminished over the years and this will further challenge their stressed and overdrawn financial position.

Thus, the study shows that the implementation of GST will burden more on middle income earners. Hence, the aim of this paper is to study whether the implications of GST towards middle income earners by obtaining an overview on consumer readiness, perception, and acceptance of GST also to analyze the household consumption behavior after GST being implemented. The GST may be a burden to the taxpayer, especially the middle income earners.

1.3   Research Questions

The research questions are identified as follows.

i.   What is the middle income earners consumer readiness, perceptions and acceptance when GST was implemented?

ii.   How GST will affect the middle income earners purchasing behavior?

1.4   Research Objectives

There are two main objectives of this research. The aims of this research are:

i.   To examine a comprehensive overview on middle income earners consumer perceptions, readiness, and acceptance of GST.

ii.   To analyze the middle income earners potential consumptions (purchases) behavior after the GST implementation.

1.5 Definition of Terms, Terminology and Concepts

There are some important key terms used in this study which can be defined as follow:

1.5.1 Goods and Services Tax (GST)

Good can be defined as desired or approved of something, meanwhile services can be defined as the action of helping or doing work for someone and Tax is a compulsory contribution to state revenue, levied by the government on workers' income and business profit or added cost of some goods, services and transaction *(http://www.oxforddictionaries.com, 2015).*

1.5.2 Implication

It can be defined as the conclusion that can be drawn from something, although it is not explicitly stated *(http://www.oxforddictionaries.com, 2015).*

1.5.3 Middle income

It is related to or denoting people earning average salaries and earners is who obtain money of a specified kind or level in return for labor or services *(http://www.oxforddictionaries.com, 2015).*In this study the middle income earner is

the people who earn below RM2000 to RM4000 as suggested by Bank Negara Annual Report 2008.

However, there is still a lot of definition of these terms. According to Goods and Services Tax Bill (2014), clause 2, stated that "goods" means any kind of movable and immovable property but excludes money except a bank note or coin before it becomes legal tender in Malaysia or in any other country; or a collector's piece, investment article or item of numismatic interest. Meanwhile, "services" means anything done or to be done, including the granting, assignment or surrender of any right or the making available of any facility or benefit, but excludes the supply of goods or money and "tax" means goods and services tax.

Inland Revenue Board (IRB) (2015), perceives GST as the "goods" which has a broad meaning. It includes all types of personal and real property, except money and "services" covers everything other than goods or money, such as television repairs, doctor's services and gardening. Overall view, goods and services are all things that can be supplied for a consideration.

From the definition above, it shows that GST has a broad meaning. Thus, by implementing GST in Malaysia it will bring a huge impact, especially to the middle income earners in order to survive in today's economic situation where the cost of living is really high.

1.6   Significance of the proposed study

This study provides several contributions to the existing literature about GST. First, this study provides pragmatic evidence on implication of GST towards middle income earners. In particular, it attempts to examine the rationality of implementing GST in Malaysia and the tax payer, middle income earners especially burden on GST.

1.7   Scope of Study

This study discusses the implication of GST towards middle income earners. The middle income is the person that earns below RM2000 to RM4000 per month. This study was conducted at Maybank and Commerce International Merchant Bankers Bhd. (CIMB) in Kedah and Perlis. Information is provided in this study based on government portal and some other study.

1.8   Organizing of remaining chapter

This thesis has five chapters. The first chapter introduces the background of the study, middle class income earners, research problem, research questions and the objectives of the study. Chapter two contains the literature from previous studies and theoretical framework. The methodology and instruments for data analysis are discussed in chapter three. Chapter four covers data analysis and finding after the data were collected and lastly chapter five consists of discussions, conclusion and research implications, limitations, as well as the recommendation for future research.

CHAPTER 2

LITERATURE REVIEW

2.1   Introduction

This chapter will present the review of related literature on goods and services taxes (GST). This chapter also will include the GST around the world followed by the four variables which are readiness, perception, acceptance and purchasing behavior.

2.2   Goods and Services Tax (GST)

GST is scheduled to be implemented by the Malaysian government on April 1, 2015 (The Malaysian Insider, 2013). Its purpose is to replace the sales and service tax which has been used in the country for several decades. The government is seeking additional revenue to offset its budget deficit. The Goods and Services Tax Bill 2009 was tabled for its first reading at the Dewan Rakyat on 16 December 2009 (The Star Online, 2009).

According to Arifin (2010), the introduction of GST will be a major tax reform in Malaysia. GST is imposed on goods and services at every production and distribution stage in the supply chain including important goods and services. The GST implementation is part of the government's tax reform program that to enhance

the capability, effectiveness and also transparency of tax administration and management.

In addition, Palil and Ibrahim (2011), highlights in their study that the purpose of implementing the GST is for the country to have savings in order to prepare the nation in experiencing inflation in future. This is because nowadays the country is having a high amount of debts. Palil and Carol (2011) stated that the most important feature of GST is its regressive nature with respect to income. As a tax on consumption, households with lower incomes may pay more tax than those with higher incomes. Each public and private sector employee in Malaysia receives monthly income that varies based on the position hold. Thus, that they may be having difficulties in paying the tax, and finally burden them.

Further validation of GST implementation towards subsidies will lead to increasing in price. This surely will directly affect the middle and lower income group as they are unable to shift the burden of tax charge either backward or forward. After all, these groups of earner have no choice other than absorb the increment of living cost (Keong, 2015). By the day's end it will surely form two groups where one is the beneficiary while the other is the payer to the state coffer. The group that pays comprise of the lower and middle class while the beneficiaries are from the rich who's from members of the politicians and their companions, colleagues and relatives (Keong, 2015).

Despite the increasing popularity and success of GST implementation around the world, Malaysian citizens are not entirely convinced with the new tax scheme

(Saira et al., 2010; Hooper & Smith, 1997). According to their study which focusing on public and private sectors employees, the taxes in Malaysia is quite high and very burdensome for them to pay all sorts of taxes other than this goods and services tax (Saira et al., 2010).

Meanwhile, Cullis and Jones (1992) pointed out that tax involves public expenditure and new tax reform creates uncertainty of future expenditure. Saira et al. (2010), stated out in their research that uncertainty would subsequently initiate resistance and poses as a challenge towards government initiative to impose new regulation, such as GST. When a rule is to be implemented, the government should introduce the rule in advance with a simple and creative approach to the public so that they will be more aware of the existence and finally help them, especially the public and private employees, in understanding and then able to accept the rule.

The study shows that, middle income earner such as technicians, clerical and services workers, farmers and fishermen would bear higher expenses even though GST is exempted or known as *'zero rated'* for essential food, education, public transportation. Apart from that, single and youth households, as well as those who residing in Peninsular would also are directly affected (Sangeetha, 2013).

Although all these are zero rated, GST is considered as a regressive tax according to the study. When large percentage is taken from low income group as compared to high incomers, it is a regressive tax. Penang Institute also pointed out that middle income would lose up to RM 1,123 per year as this group bear more cost

for GST compared to other income tax savings. On the other hand, higher income group only bear about RM488 per year (Zurairi, 2013).

This is contra from what has been said by Idris (2013), that GST will only incurred by rich as they consume the most. He also added that GST only give minimal impact to the poor as most of the essential items are zero rated and some of them are even exempted from being tax.

Recently, the initiative to introduce GST in Malaysia has been a hot issue and gets a lot of attention from the community. Malaysia citizens are not convinced with the new tax schemes. This is regarding the advantages and disadvantages derived from the new tax system. Proponents of GST contented that GST is necessary to reduce federal government deficit (McGowan & Billings, 1997). It is also viewed as a way to diversified government sources of income. GST can increase government abilities to elevate public services and improve economic stability by providing government with a constant flow of income.

On the other hand, the opponent of this new tax system argued that GST is difficult to implement and increased in tax revenue would only promote larger government spending (Bickley, 1989). In addition, GST will give an impact to the lower income group as opposed to higher incomes group (Hooper & Smith, 1997). This is mainly because the implementation of GST would reduce the middle income group's ability to purchase goods and services.

2.3   GST around the Globe

There are many countries, both the developed and developing economies, implementing the GST or value-added tax (VAT) as a form of revenue stream for the government. As far as the GST or VAT rate is concern, United Kingdom is imposing the highest rate (17.5%). Other countries that implement GST, for example New Zealand and India, apply GST on most of its goods and services, imported goods, and certain imported services. GST is added to the price of taxable goods and services at a rate of 12.5%. Other countries around the world that have implemented GST or VAT and their respective rates are shown in following table below.

Nearly 160 countries are implementing GST or VAT around the globe (Royal Malaysia Customs, 2013). The GST was introduced by the Singapore Government on 1 April 1992. According to Low and Carol (1994), the implementation of GST in Singapore was achieved mainly on the following advantages. For example, unlike corporate and personal income taxes, GST does not tax investments and savings. As it is tax on consumption, it encourages saving and investments, rewards enterprise and strengthens economic resilience. Besides that, the other advantage that was discovered by the researchers was that GST taxed only consumption within the country.

GST incurred in the process of producing exports can be fully identified and rebated so that exporters are not penalized (Low & Carol, 1994).   Hence, the competitiveness of a country can be retained. On the other hand, the introduction of GST could involve some sensitive problems among the taxpayers. The tax authority

14

should take initiatives to educate the public and business about new tax as well as to react appropriately regarding the concerns of taxpayers over taxes already paid before changeover.

Besides, there are also problems concerning contract prices and continues supplies that will complicate the changeover (Low & Carol, 1994). They further highlighted some of the factors that influenced GST implementation in Singapore, namely publicity, long-term contracts, and timing of supply and tax invoice. Thus, the same factors may influence other countries that are implementing or about to implement GST.

As for India, there are few numbers of indirect taxes that are imposed by the central and state government such as excise duty, custom duty, service tax, sales tax, stamp duty and many more. There are various trials in reforming the indirect tax structure in order to make the tax become simpler, stable and less burdensome. For the GST implementation, the Indian government did not encounter many problems This is because there was no difference in terms of levying the tax towards the goods and services where both is imposed the same tax rate (Syed et al., 2013).

Meanwhile, GST was first introduced in New Zealand in 1986 during the Fourth Labour Government (Palil & Ibrahim, 2011). There are few exemptions to items that do not fall in the GST. For examples, the exemptions include rent on rental properties, financial services, precious metals and charitable donations. The original GST rate was set at 12.5% and stayed at this level until 2010 until it was raised to 15%. For businesses based in New Zealand, it is common to fill out a GST Return

Form (IRD Form: GST101A). Businesses exporting goods and services from New Zealand are able to "zero-rate" their products, meaning that they effectively charge GST at a null rate (0%). This permits the business to claim back the input to GST via the GST return as the non-New Zealand based consumer does not pay the tax.

2.4   Readiness, Perception and Acceptance

Readiness is prepare for something or willingness to do something. Perception is the ability to see, hear or become aware of something through the senses, or awareness of something through senses. Acceptance on the other hand is the action of consenting to receive or undertake something offered or willingness to tolerate a difficult situation *(http://www.oxforddictionaries.com).*

2.5   Purchasing behavior

The individuals and households have their own behavior of buying goods and services for personal consumption. A number of different people were playing different roles have been identified in the decision to make a specific purchase. First; *initiator* is the person who first suggests or thinks of the idea of buying a particular product or service. Second, *influencer* is a person whose views or advice influences the buying decision. Third, *decider* is the person who ultimately makes the decision to buy. This decision includes whether to buy, what to buy, how to buy, and where to buy. Forth, *buyer* is the person who makes the actual purchase. Lastly *user* is the person who uses the product or service. This model emphasizes that the decision process is sequential and combines both mental and physical activities. In broad

16

terms, the first four of these stages constitute the decision phase. This is followed by the actual purchase, and the subsequent experience of using the newly acquired product. If this experience is positive it can act as a reinforcement to make further similar purchases. A negative experience will encourage a change to another product or supplier *(http://www.oxfordreference.com).*

2.6   Countries Implementing GST

There are many countries that already implement GST in their taxes system. The table below shows all the countries around the world that have GST.

Table 2.1
Countries with GST

Region/ country	GDP Per Capita (World Bank, 2011, USD)	Year of implementation	Current rate (%)
ASEAN			
Indonesia	3,495	1984	10
Thailand	4,972	1992	7
Singapore	46,241	1993	7
Philippines	2,370	1998	12
Cambodia	897	1999	10
Vietnam	1,407	1999	10
Laos	1,320	2009	10
ASIA			
Bangladesh	743	1991	15
China	5,445	1994	17
India	1,509	2005	12.5
Iran	NA	2008	5
Japan	45,903	1989	5
Jordan	4,666	2001	16
Kazakhstan	11,357	1991	12
Kyrgyzstan	1,124	1999	20
Lebanon	9,413	2002	10
Mongolia	3,129	1998	10

17

Nepal	619	1997	13
Pakistan	1,189	1990	16
Papua New Guinea	1,845	2004	10
South Korea	22,424	1977	10
Sri Lanka	2,835	2002	12
Taiwan	NA	1986	5
Tajikistan	935	2007	20
Turkmenistan	5,497	1993	15
EUROPEAN			
Albania	4,030	1995	20
Austria	49,581	1973	20
Armenia	3,305	1993	20
Azerbaijan	6,912	1992	18
Azores	NA	1986	16
Belarus	5,820	1991	20
Belgium	46,608	1971	21
Bosnia Herzegovina	4,821	2006	17
Bulgaria	7,283	1994	20
Croatia	14,193	1998	25
Cyprus	30,670	1992	18
Czech Republic	20,677	1993	21
Denmark	59,889	1967	25
Estonia	16,534	1991	20
Faroe Islands	NA	1993	25
Finland	48,812	1994	24
France	42,379	1954	19.6
Georgia	3,203	1993	18
Germany	44,021	1968	19
Greece	25,630	1987	23
Hungary	14,043	1988	27
Iceland	43,967	1990	25.5
Ireland	47,478	1972	23
Isle of Man	NA	1973	20
Israel	31,281	1976	18
Italy	36,130	1973	21
Jersey	NA	2008	5
Kosovo	3,579	2001	16
Latvia	13,727	1995	21
Liechtenstein	NA	1995	8
Lithuania	14,100	1994	21
Luxembourg	114,232	1969	15
Macedonia	5,058	2000	18
Madeira	NA	1986	22

Malta	21,380	1999	18
Moldova	1,967	1998	20
Monaco	171,465	1954	19.6
Montenegro	7,111	2003	17
Netherland	50,085	1969	21
Norway	98,081	1970	25
Poland	13,352	1993	23
Portugal	22,485	1986	24
Romania	8,874	1993	18
Russia	12,995	1991	18
Turkey	10,524	1984	20
Serbia	6,312	2004	20
Slovak Republic	17,782	1993	20
Slovenia	24,132	1999	20
Spain	31,985	1986	21
Sweden	57,114	1969	25
Switzerland	83,326	1995	8
Ukraine	3,615	1992	20
United Kingdom	38,974	1973	20
OCEANIA			
Australia	61,789	2000	10
Fiji	4,397	1992	15
New Zealand	36,254	1986	15
Niue	NA	2009	5
Samoa	3,485	1994	15
Tonga	4,152	2005	15
Vanuatu	3,094	1998	13
Africa			
Algeria	5,244	1882	17
Benin	802	1991	18
Botswana	8,533	2002	12
Burkina Faso	613	1193	18
Burundi	271	2009	18
Cameroon	1,260	1999	19.25
Cape Verde	3,798	2004	15
Central African Republic	489	2001	19
Chad	918	2000	18
Democ. Rep. of the Congo	231	2012	16
Ethiopia	357	2003	15
Egypt	2,781	1991	10
Equatorial Guinea	27,478	2004	15
Gabon	11,114	1995	18
Gambia	506	2013	40
Ghana	1,570	1998	12.5
Guinea	498	1996	18

19

Guinea-Bissau	626	2001	15
Ivory Coast	1,195	1960	18
Kenya	808	1990	16
Lesotho	1,106	2003	14
Madagascar	465	1994	20
Malawi	365	2002	16
Mali	684	1991	18
Mauritania	1,190	1995	14
Mauritius	8,755	1998	15
Morocco	3,054	1986	20
Mozambique	533	2008	17
Namibia	5,383	2000	15
Niger	374	1994	19
Nigeria	1,502	1993	5
Republic of Congo	3,485	2012	16
Rwanda	583	2001	18
Senegal	1,119	2001	18
Seychelles	12,321	2012	15
Sierra Leone	496	2009	15
South Africa	8,070	1991	14
Sudan	1,435	2000	17
Tanzania	532	1998	18
Togo	588	1995	18
Tunisia	4,350	1988	18
Uganda	487	1996	18
Zambia	1,425	1995	16
Zimbabwe	757	2004	15
SOUTH AMERICA			
Argentina	10,942	1974	21
Bolivia	2,374	1986	13
Brazil	12,594	1964	10
Colombia	7,104	1983	16
Chile	14,394	1974	19
Ecuador	4,496	1981	12
Guyana	3,408	2007	16
Paraguay	3,629	1992	10
Peru	6,018	1991	18
Uruguay	13,866	1972	22
Venezuela	10,810	1993	12
CARIBBEAN, CENTRAL & NORTH AMERICA			
Antigua and Barbuda	12,480	2007	15
Barbados	13,453	1997	17.5
Belize	4,059	2006	12.5
Canada	50,344	1991	5
Commonwealth of Dominica	7,154	2006	15

Costa Rica	8,647	1982	13
Dominan Republic	5,530	1992	16
El Salvador	3,702	1992	13
Grenada	7,780	2010	15
Guatemala	3,178	1992	12
Haiti	726	1982	10
Honduras	2,247	1964	12
Jamaica	5,335	1991	12.5
Mexico	10,047	1980	16
Nicaragua	1,587	1984	15
Panama	7,498	1976	7
St. Kitts & Nevis	13,144	2010	17
St. Vincent & the Grenadines	6,291	2007	15
Trinidad and Tobago	16,699	1990	15

(Source: Royal Malaysian Customs Department (2013c)

2.7   Conceptual Framework

In order to understand and examine the impact of GST, this conceptual framework provides an understanding ways on whether independent variables have significant association towards middle income earners. The independent variables are consumer readiness, perceptions, acceptance and consumption behaviour. Middle income earners are known as the dependent variables. The conceptual framework for the study is shown as follows.
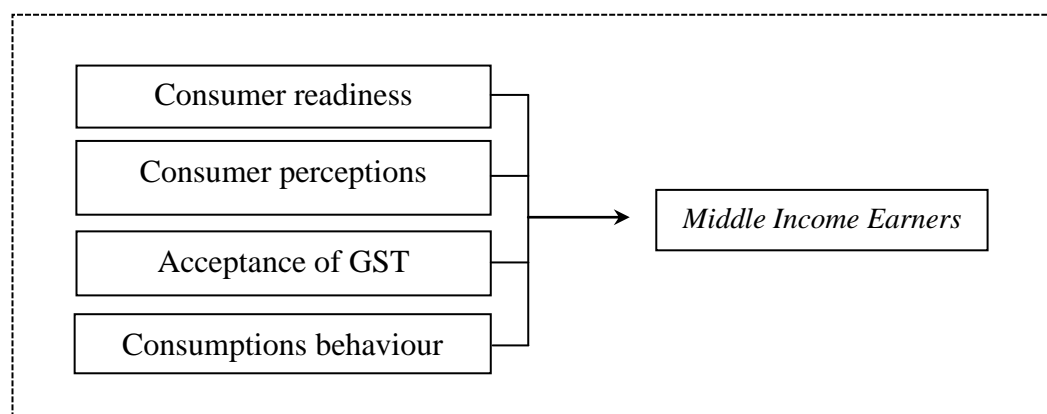
Figure 1.1, Conceptual Framework

21

The above conceptual framework identifies that middle income earners are determined by four independent variables. Consumer readiness can be seen from mentally and physically aspect of middle income earners. GST affects the middle income expenses and they need to spend more on necessary things such as groceries. Due to implementation of GST, the price of goods especially grocery has increase almost 25% from the original price before GST be implement. Perceptions can be seen from consumer prediction on GST implementation. Acceptance of GST is used to see whether the citizen really can accept the GST or not. Lastly consumption behavior is to analyze whether the consumer still purchase goods and services after the implementation of GST.

The government claims that GST is a fair tax. However, according to study made by Hwa and Qi (2013), middle income earners, who earn RM 2500 per month, will be the worst hit. They need to pay tax 2.67 percent of their total monthly income. Thus, the independent variables will eventually contribute to middle income earners financial problem.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

In this section, research methodology will discuss clearly researcher research plan. All the method used to gain understanding and answers to the research objectives and research questions. Research is simply the process of finding solutions to a problem after a thorough study and analysis of the situational factors (Sekaran, 2005). This section discusses the methods that will be use in the study. The scope that will be discuss including the research design, sampling and data collection, the instruments used for the research, measurement and scaling, and the procedure in data analysis.

3.2 Research Design

Research design is a master plan specifying the methods and procedures for analyzing and collecting the needed information. It details the procedures necessary for obtaining the information needed to structure or solve the research problem. The study was conducted to know the impact of GST towards middle income earners by gaining a comprehensive overview on middle income earners readiness, perceptions and acceptance of GST. Besides that, the study also will analyze the household's potential consumptions in term of purchases after the GST was implemented. This research is quantitative study whereby the phenomena will be explained by the

collection of numerical data and analyzed by using mathematically based method, Statistical Package for the Social Sciences (SPSS). Though, there are several methods to collect a data, questionnaire are the common method used widely by the researcher to collect a data. This is because questionnaires can cover a large number of respondents and are relatively reasonable in term of cost (Zikmund, 2000). Hence, in this research quantitative study questionnaires was used as the primary source of collecting data.

3.3   Population and Sampling

Population refers as a set of potential measurements or values. The target population is the complete group of objects or elements relevant to the research projects (Hair et. al., 2007). Population of the study consists of the bank workers at the CIMB and Maybank around Alor Setar and Perlis who earn below RM2000 to RM4000 per month. There are 11 banks around Alor Setar and Perlis. The researcher distributes randomly to 10 middle income earners respondents (10 questionnaires) to each bank and the total number of respondents is 110.

3.4   Data Collection

According to Sekaran (2005), data collection methods are an integral part of research design. Data collection is a way of gathering information for use in various studies or decision making situations. Depending on the required outcome or information needed methods of data collection can vary and even be combined to achieve needed results. Data can be obtained from primary or secondary sources. Primary data can be

24

referring to the information obtained firsthand by the researcher on the variables of interest for the specific purpose of the study. Meanwhile, secondary data can be referring to the information gathered from sources already existing. For this report, the researcher used both primary and secondary data. The researcher firstly studies the entire journal from internet, newspaper, library and other related press to understand what GST is and how it will give an impact to the middle class income earners. The previous research reports, books, library and articles are important sources to understand the issues. Then, the data are being collected using the questionnaire.

3.5   Measurement of Variables

A questionnaire was used to gather a data for this study. The questionnaires consist of the open ended and close ended question. There are three types of measurement scale such as ordinal, nominal and interval scales were used. Nominal scale was used for demographic questions such as gender, race, religion, marital status, and highest education of respondents. On the other hand, the ordinal scale used in questions such as age, income, dependent and domestic purchasing in a month.

In this study, a semantic differential scale that ranged from '*extremely disagree*' to '*extremely agree*' was used. The purpose of using the semantic differential scale was to generate statistical measurement of respondent's perception. The benefit of using semantic differential scale is that the respondent can indicate their level of agreement to statement when answering the questions.

The questionnaire was divided into three section: A, B and C. Section A seeks the background information of the respondents includes gender, age, race, religion, marital status, the higher education of respondents, income, dependent and domestic purchasing in a month. In section B, the question was divided into three parts which are readiness, perception and acceptance. Lastly, in section C is question regarding the middle income earners consumer purchasing behaviour.

3.6 Data Analysis

This chapter will reveal the finding of the study, which is obtained through the regression analysis of the data. The purpose of data analysis is to achieve the objectives of study and to answer the research questions. The data will be analyzed by using the Statistical Package for Social Science (SPSS). SPSS is one of the most widely available and powerful to summarize data determine whether there are significant difference between group; examine relationship among variables and graph result. All the data is treated and interpreted by using relevant information from analysis method. A variety of statistical techniques such as multiple regressions, correlation analysis, and coefficient of determination were used to analyze the data collected.

3.7 Reliability

Reliability was carried out to ensure the reliability of the instrument. Cronbach's Alpha coefficient value should be above 0.7. The reliability of a scale depends on the sample with which it is used (Pallant, 2007). It is necessary to check the reliable

26

between scale and sample. For this reliability test, four variables which are readiness, perception, acceptance and purchasing behavior have been rated and shown a correlated relationship.

Table below show summarizes the Cronbach's Alpha for all four items. According to Pallant (2007), value above 0.7 is considered acceptable while value above 0.8 is preferable. As shown, the Cronbach's Alpha of the measures was all comfortably above 0.7 except for perception variables but it still acceptable. Hence, all the measures used in the subsequent analysis were reliable.

Table 3.1
Reliability Coefficient for the entire Variable in the Study

Variables	Number of items	Reliability
1. Readiness	6	0.808
2. Perception	6	0.762
3. Acceptance	6	0.833
4. Purchasing Behaviour	6	0.812

3.8   Summary

This chapter summarized details on the research methodology that were used in this study. The research design, population and sampling technique, development of the questionnaire and survey distribution strategy were discussed. Finding from the data analysis will be discussed in the next chapter.

CHAPTER 4

DATA ANALYSIS AND RESEARCH FINDINGS

4.1   Introduction

This chapter summarizes the results obtained from the data analysis process and the findings of the study. The primary objectives of this chapter are to gain a comprehensive overview on middle income earners consumer readiness, perceptions and acceptance of GST and also to analyze the households' potential consumptions (purchase) behaviour after GST implementation. Hence, a survey method was used in this study. The questionnaires contain demographic question and also the semantic differential scale questions were used in this study. The data analysis comprise of the descriptive statistics together with multiple regressions.

4.2   Survey Response Rate

A total of 110 questionnaires were printed to distribute to the respondents. A total of 110 questionnaires were returned by the respondents. However, only 105 questionnaires can be used. This is because another 5 questionnaires were not properly answered by the respondents. According to Sekaran (2003), a high response rate is good for statistical analysis.

4.3 Demographic Data

The questions regarding the respondent's demographic characteristics were used to create a profile. Descriptive statistics were used to summarize the sets of data gathered from the distribution of the questionnaires. The purpose of the descriptive statistics for the researcher is to describe and explain the frequency characteristics such as gender, race and age (Kendrick, 2005). Hence, the questionnaires consist of demographics questions such as gender, age, race, religion, status, highest academic, income, numbers of the dependent and domestic purchasing in a month.

4.3.1 Gender

The results obtained from the descriptive statistics are shown in Table 4.1 below. From the total numbers of 105 respondents, 52.4 percent or 55 respondents were female while 47.6 percent or 50 respondents were male.

Table 4.1
Gender of the respondents

		Frequency	Percent
	Female	55	50.0
	Male	50	45.5
	Total	105	95.5
Missing	System	5	4.5
Total		110	100.0

4.3.2   Age

Table 4.2 shows the age of the respondents. The ages were categorized into four

levels, which were 20 to 29, 30 to 39, 40 to 49 and 50 and above. Most respondents

fell into the range of age 30 to 39, which were 34.5 percent or 38 respondents

whereas 29.1 percent or 32 respondents in the range of age 20 to 29 and 40 to 49.

Lastly, 2.7 percent or 3 respondents were 50 and above.

Table 4.2
Age of the respondent

		Frequency	Percent
	20-29 years	32	29.1
	30-39 years	38	34.5
	40-49 years	32	29.1
	50 & above	3	2.7
	Total	105	95.5
Missing	System	5	4.5
Total		110	100.0

4.3.3   Race

Table 4.3 shows the race of the respondents. There were three major races which

were Malays, Chinese, Indian and also others as well. Malay recorded the highest

percentage with 68.2 percent or 75 respondents followed by Chinese with 27.3

percent or 30 respondents.

30

Table 4.3
Race of the respondents

		Frequency	Percent
	Malay	75	68.2
	Chinese	30	27.3
	Total	105	95.5
Missing	System	5	4.5
Total		110	100.0

4.3.4   Religion

Table 4.4 shows the religion of the respondents. There were four major religions which were Islam, Buddha, Hindu, Christian and others as well. There were 69.1 percent or 76 respondents were Islam followed by 23.6 percent or 26 respondents were Buddha and 2.7 percent or 3 respondents were Christian.

Table 4.4
Religion of the respondent

		Frequency	Percent
	Islam	76	69.1
	Buddha	26	23.6
	Christian	3	2.7
	Total	105	95.5
Missing	System	5	4.5
Total		110	100.0

4.3.5 Marital status

Table 4.5 shows the marital status of the respondents. Most all of the respondents were married and that was 50.9 percent or 56 respondents. There were 43.6 percent or 48 respondents were single and there was 0.9 percent or 1 respondent was a widow.

Table 4.5
Marital status of the respondents

		Frequency	Percent
	Single	48	43.6
	Married	56	50.9
	Widow	1	0.9
	Total	105	95.5
Missing	System	5	4.5
Total		110	100.0

4.3.6 Highest academic achieved

Table 4.6 shows the highest academic achieved by the respondents. The respondents that have bachelor degree show the highest with 34.5 percent or 38 respondents. Next are the respondents who have Malaysian Certificate of Education or *'Sijil Pelajaran Malaysia (SPM)'* with 23.6 percent or 26 respondents. There were 20.9 percent or 23 respondents that have a diploma followed by 6.4 percent or 7 respondents that have certificate. Besides that, there were also respondents that own a Master with 5.5 percent or 6 respondents and lastly, 4.5 percent or 5 respondents have Malaysian Higher School Certificate or '*Sijil Tinggi Pelajaran Malaysian (STPM)'*.

32

Table 4.6
Highest academic achieved

	Frequency	Percent
Master	6	5.5
Bachelor degree	38	34.5
Diploma	23	20.9
Certificate	7	6.4
STPM	5	4.5
SPM	26	23.6
Total	105	95.5
Missing System	5	4.5
Total	110	100.0

4.3.7 Income

The income has three main categories such as below RM2000, RM2001 to RM3000 and RM3001 to RM4000 per month. The highest income category is RM2001 to RM3000 with 48.2 percent or 53 respondents. The second highest income is RM3001 to RM4000 with 30.0 percent or 33 respondents. Lastly, the lowest income category is below RM2000 with 15.5 percent or 17 respondents.

Table 4.7
Income of the respondents

	Frequency	Percent
below RM2000	17	15.5
RM2001-3000	53	48.2
RM3001-RM4000	33	30.0
RM4000 above	2	1.8
Total	105	95.5
Missing System	5	4.5
Total	110	100.0

4.3.8 Dependent

Table 4.8 shows the number of the dependents of the respondents. The highest number of dependent was 1 with 29.1 percent or 32 respondents. Second highest number of the dependents is 2 with 20.0 percent or 22 respondents followed by 17.3 percent or 19 respondents with 3 dependents. 13.6 percent or 15 respondents have 4 dependents and 11.8 percent or 13 respondents have 5 dependents. The second lowest number of dependent is 6 with 3.6 percent or 4 respondents. Lastly, there were 4.5 percent or 5 respondents did not have any dependent.

Table 4.8
Number of the Dependents

	Frequency	Percent
1	32	29.1
2	22	20.0
3	19	17.3
4	15	13.6
5	13	11.8
6	4	3.6
Total	110	100.0

4.3.9 Domestic purchasing in a month

Table 4.9 shows the domestic purchasing in month. There are five categories which are below RM200, RM201 to RM300, RM301 to RM400, RM401 to RM500 and RM501 and above. From the survey, its shows that 40.0 percent or 44 respondents make a domestic purchase from RM301 to RM400 per month. Another 35.5 percent or 39 respondents purchase from RM401 to RM500 per month followed by 15.5

percent or 17 respondents that purchase domestically from RM501 and above. The lowest domestic purchasing in a month is RM201 to RM300 that is 4.5 percent or 5 respondents.

Table 4.9
Domestic purchasing in a month

		Frequency	Percent
	RM201-RM300	5	4.5
	RM301-RM400	44	40.0
	RM401-500	39	35.5
	RM501 & above	17	15.5
	Total	105	95.5
Missing	System	5	4.5
Total		110	100.0

4.4 Descriptive Analysis Mean and Standard Deviation

Table 4.10 to table 4.13 below provides the mean and standard deviation scores obtained for the independent and dependent variables used in this study.

4.4.1 Readiness

Table 4.10 below shows the means and standard deviations for readiness, which is the first independent variable in this study. All the items in this section recorded means 2.30 to 4.00. Items four was recorded the highest mean and thus can be seen that the respondents knows about GST has been implemented in others country around the world. Item six was recorded as the lowest means value of 2.30. Hence, it

35

shows that the respondents were not ready about the GST implementation in Malaysia.

Table 4.10
Means and Standard Deviation for Readiness

Items	Means	Standard deviation
1. I know that GST has been implemented in many countries around the world.	4.00	0.784
2. I know a little about GST.	3.89	0.577
3. I am satisfied with the information provided by the government.	2.91	1.194
4. I will find additional information about GST if I still unclear about it.	2.90	1.126
5. I agree with implementation of GST in Malaysia.	2.46	1.127
6. I am ready with implementation of GST in Malaysia.	2.30	1.020
Average	3.08	0.971

4.4.2 Perception

Table 4.11 below shows means scores and standard deviation for perception variables. This independent variable recorded an average mean score of 3.02. Item five was recorded as the highest mean value of 4.56 while item four was recorded as the lowest mean value of 1.50. From the table, it can be concluded that the respondents have a high perception that GST implementation will increase the price of goods and services. The respondents also have a low perception regarding the cost of living are still same even after the GST implementation in Malaysia.

Table 4.11
Means and Standard Deviation for Perception

Items	Means	Standard deviation
1. GST will increase the price of goods and services.	4.56	0.517
2. GST will increase government revenue.	4.23	0.593
3. GST will give a positive impact to the people's and country.	2.90	1.165
4. GST system is easy to understand.	2.76	1.148
5. GST is able to reduce people's income gap.	2.19	0.822
6. The cost of living is same either before GST or after GST being implemented.	1.50	0.521
Average	3.02	0.794

4.4.3   Acceptance

Table 4.12 below shows means scores and standard deviation for acceptance variables. This independent variable recorded an average mean score of 3.08. Item three was recorded as the highest mean value of 4.42 while item six was recorded as the lowest mean value of 1.61. From the table, it shows that the respondents were not willing to accept GST implementation in Malaysia. GST implementation only will be accepted by the respondents if it is not affect household economy. On the other hand, respondents were not accepting GST implementation in the future.

Table 4.12
Means and Standard Deviation for Acceptance

Items	Means	Standard deviation
1. I will accept the implementation of GST if it do not affect households' economy.	4.42	0.496
2. Implementation of GST will improve Malaysia economic.	4.27	0.724
3. GST can improve previous Sales and Services Taxes (SST) system.	3.41	1.261
4. Coverage about GST is fair, thorough and more systematic.	3.08	1.313
5. 6% GST rate that being imposed is appropriate.	1.71	0.781
6. GST should be continued in the future.	1.61	0.528
Average	3.08	0.851

4.4.4 Purchasing Behaviour

Table 4.13 below shows means scores and standard deviation for purchasing behaviour variables after the implementation of GST. This independent variable recorded an average mean score of 3.27. Item four was recorded as the highest mean value of 4.40 while item five was recorded as the lowest mean value of 2.58. From the table, it shows that budget for family was affected after the GST implementation. The respondents also did not have much saving after the GST implementation whereas this means that the respondents spend more than saving the money.

Table 4.13

Means and Standard Deviation for Purchasing Behaviour

Items	Means	Standard deviation
1. Family budget was highly affected.	4.40	0.511
2. I rarely go shopping because i want to save my money.	4.22	0.693
3. I will choose certain items only for daily expenses.	3.90	0.779
4.I will put a quantity limit for important items.	3.47	1.233
5. I am working more on saving.	2.58	1.314
6a. There is a lot of desired items that I have to let go.	2.42	2.218
6b. There is a a lot of needed items that I have to let go.	1.89	2.168
Average	3.27	1.274

4.5 Multiple Regressions

According to Pallant (2002), there are three major types of multiple regression analysis which are standards or simultaneous, followed by hierarchical or sequential and lastly stepwise. This study adopted the standard multiple regression analysis.

4.5.1 Multiple Regressions without Moderator

Table 4.14 to table 4.16 below shows the model summary obtained from multiple regression analysis between readiness, perception, acceptance, purchasing behaviour and income. The R Square value for this model is 0.114. It means that, this model explain 11.4 percent of the variance in implication of GST implementation. The

39

model is significant as the ANOVA table shows and F value of 3.203 that is significant at p = 0.016.

The Coefficient Table helps to identify the contribution of the variables in the independent group that explained the variance in implication of GST implementation. Based on the Coefficients Table below, the purchasing behaviour influence the implication of GST implementation ($\beta = 0.112$, T = 1.181, p = 0.240). Perception did not make significant contribution towards explaining the dependent variable ($\beta = -0.09$, T = -0.89, p = 0.929).

Table 4.14
Multiple Regressions Analysis without moderator

Model Summary		
Model	R	R Square
1	0.337	0.114

Table 4.15
ANOVA without Moderator

ANOVA		
Model	F	Significance
1	3.203	0.016

Table 4.16
Coefficients without Moderator

Coefficients				
Model	B	Beta	T	Significance
Constant	3.353		3.043	0.003
Readiness	-0.425	-0.284	-2.990	0.004
Perception	-0.016	-0.009	-0.089	0.929
Acceptance	-0.199	-0.104	-1.091	0.278
Purchase	0.212	0.112	1.181	0.240

4.6 Summary

This chapter revealed the results obtained from the statistical analysis. Two statistical techniques were use. There were descriptive statistics and multiple regressions. Descriptive statistics were used to analyze the demographic factors to obtain frequencies, means and standard deviation for the independent variables and dependent variables. Multiple regression statistical techniques were used to explore the relationships between the variables. Moreover, multiple regressions also used to test the predictive ability of group of independent variables with and without moderator towards dependent variables. Based on the results, its shows that purchase behaviour were affected after the implementation of the GST. In contrast to the perception factors, it does not give much impact towards the implementation of GST in Malaysia.

CHAPTER 5

DISCUSSION AND CONCLUSION

5.1 Introduction

This chapter will discuss the outcomes of the study. The two objectives developed earlier in the study were further discussed based on the data analysis findings results as in chapter four. The conclusion and recommendation for future researchers were included at the end of the chapter.

5.2 Discussion

The primary focus or objectives of this study was to study the impact of GST implementation towards the middle income earners consumer in Kedah and Perlis. The respondents were 110 middle income earners, who worked at the Maybank and Commerce International Merchant Bankers (CIMB) around Alor Setar and Perlis. Two objectives were developed at the beginning of the study. The following discussions were based on the objectives.

5.2.1 An overview on middle income earners consumer readiness, perceptions and acceptance of GST.

The implementation of GST will increase the government revenue beside can improve the efficiency of the tax collection system. However, it will give an impact to the middle income earners. From the findings, the result shows that many respondents still not ready about GST implementation in Malaysia. The respondents also did not agree about the GST being implemented in Malaysia. Beside that, the respondents do not have much information about GST. Furthermore, the respondents do not satisfied with the information provided by the government about GST. Lack of information will make the people not ready yet and did not have clear understanding about GST. The government should promote GST more through many media so that people are ready for the impact.

Hence, due to less information receive, it will cause many perceptions. The respondents were agreed that GST will make goods and services price increase significantly. From the findings, it shows that the respondents were not agreed that GST implementation will maintain the cost of living. The cost of living will increase especially in a big city. So, it will give a huge impact to the middle income earners. On the other hand, the respondents have a high perception that GST only gives a positive impact to the government revenue compare to the residents. In addition, the respondents also have a perception that GST will not be able to make the income gap between middle income earners and high income earners closer. Despite, the respondents have a high perception that it will make the gap become more large.

As the respondents have all these perception on their mind it will result in their acceptance of GST implementation. From the data analysis, it shows that respondents were not accepting GST implementation. The respondents only accept the GST if it will not give an impact to the households' economy. The six percent GST rate that being enforced by the government also unacceptable by the respondents. It is considered high for the beginning of GST implementation. Government should start with low rates. For example, Singapore started the GST at 1993 with the rate of three percent only and currently the rate is at seven percent. In a nutshell, it can be concluded that middle income earners still not accept GST implementation in Malaysia.

5.2.2 To analyze the households' potential consumptions (purchases) behaviour after GST implementation.

This study also wants to analyze the purchasing behaviour of middle income earners consumer after the GST being implemented in Malaysia. From the data analysis, it shows that GST has given a big impact to the family budget. The family budget was highly affected after the GST implementation. The respondents also agreed that they rarely go shopping just to save more money. However, with the increasing price of goods and services after GST being implement many needed items have to let go by the respondents. A needed item is essential items to daily need. Because of the price is increase and saving become current trend those needed items have to let go. It shows that the purchasing behaviour become low after the GST being implement. The purchasing behaviour also becomes less power because the respondents have to choose certain items to buy. Besides, the respondents will put a quantity limit when

they want to buy some items. As a summary, this study suggests that the purchasing behaviour between the middle income consumers would be change due to GST implementation. This is because of the respondents become more selective and be careful in their purchasing behaviour. Hence, if this situation continually happens it can give a negative impact to the economic growth.

5.3   Research implication

This study contributes in a way that it provides pragmatic evidence on implication of GST towards middle income earners. Middle income earners are essential toward country development and revenue. This is because, many middle income earners in Malaysia and they spend their money to live in this challenging era. With this study, it could help the authorities to come up with better plan to overcome the burden of middle income earners in Malaysia.

This study also contributes to understand middle income earners burden after the GST being implemented. The cost of living is increase while their income is still at the same level. Thus, this will lead to many problems. As we can see, from the finding it shows that their purchasing behaviour turns to change significantly. Hence, with this study it can help the government or authorities to change the market or strategies to help the middle income earners to spend their money with reasonable and affordable price. With efficient method, the government can avoid low economic growth due to low demand. This study further contribution is providing an overview on middle income earners consumer readiness, perception and acceptance of GST in Malaysia

45

5.4   Limitation of the Study and Recommendation for Future Research

There is several limitation of this study. Firstly, this study is based on middle income earners in Kedah and Perlis. For these reasons, the findings of the present study could not be generalized to all consumers all over the Malaysia. Thus, future research should sample broader population and be focused on a broader groups to get more interesting result.

Secondly, thus study only limit for the middle income earners who work at the Maybank and CIMB Bank in Kedah and Perlis. Further study should be conducted and covers a larger group of middle income earners and wider area. This may include people who work at other institution such as public and private company all over the Malaysia to increase further credibility to the findings.

Convenient sampling methods were chosen since it is the fast way to obtain the information from respondents. However, the information gaining from this method is unreliable. It is recommended that future research use other method for example random sampling method to ensure the generalization of the findings. This also can be one of the limitations in this study.

The present study only focused on few variables, yet may other additional variables could be used to study the impact of GST towards middle income earners. Hence, further study may be conducted in the future should include other factor as well to get another findings.

5.5   Conclusion

The implementation of GST in Malaysia will increase the government revenue. Its can help government to collect the revenue from all the citizen including foreign workers. Before the GST implementation, foreign workers get benefits from growing economy but they were exempt from taxes. However, the GST will cover all residents through the consumption. The most hit by GST were middle income earners. As a conclusion, this study has underlined the impact of GST towards middle income earners in Kedah and Perlis. This study has shows that many respondents were worried on their purchasing behaviour power. GST has made the price of goods and services increase. The respondents also did not get much information about GST, so the authorities should promote more on GST. On the other hand, the authorities should have another alternatives plan to reduce the burden of middle income earners. Actually, GST is an efficient system and good way to increase the government revenue. But, in the same time government should come up with another plan to help the middle income earners that will affect by the implementation of GST.

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MASTER OF PUBLIC MANAGEMENT
COLLEGE OF LAW, GOVERNMENT AND INTERNATIONAL STUDIES
UNIVERSITI UTARA MALAYSIA

QUESTIONNAIRES

> **STUDY ON MIDDLE INCOME EARNERS PERCEPTION, READINESS, ACCEPTANCE AND PURCHASING BEHAVIOUR TOWARDS GOODS AND SERVICES TAX (GST) IMPLIMENTATION: CASE OF MAYBANK AND CIMB BANK IN KEDAH AND PERLIS**

Dear Sir/Madam,

These questionnaires are constructed and distributed for the purpose of obtaining information related to the study on "Readiness, perception, acceptance and purchasing behaviour of middle income earners after GST being implemented in Malaysia**.**" Please answer honestly and carefully all this items in the questionnaires as it will influence the result of the research.

In order to be able to successfully complete this study, I do require full support from all of you to fully participate in the study by providing the required information. Information obtained from these questionnaires will be treated as **strictly private** and **confidential** and will be used solely for academic purpose.

Thank you for your time in responding to this questionnaire. Your participation is highly appreciated

Researcher,

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Instruction : Please **CIRCLE** the correct answer.

Gender

1. Male
2. Female

Age

1. 20 - 29years
2. 30 - 39 years
3. 40 - 49 years
4. 50 years and above

Race

1. Malay
2. Chinese
3. India
4. Others
(Please state:_____)

Religion

1. Islam
2. Buddha
3. Hindu
4. Christian
5. Others
(Please state:_____)

Marital Status

1. Single
2. Married
3. Widow
4. Others
(Please state:_____)

Highest Academic Achieved

1. PhD
2. Master
3. Bachelor Degree
4. Diploma
5. Certificate
6. STPM
7. SPM
8. Others
(Please state:_____)

Income

1. BelowRM2000
2. RM2001 - RM3000
3. RM3001 - RM4000

Number of dependent (include yourself)

(Please state:_____)

Domestic purchasing in a month

1. BelowRM200
2. RM201- RM300
3. RM301 - RM400
4. RM401 - RM500
5. RM501 and above

B. READINESS, PERCEPTION AND ACCEPTANCE

Instrusction : Please rate item according to the following measurement scale. Please **CIRCLE** your answer.

Extremely disagree 1   2   3   4   5   *Extremely agree*

A.	*Readiness*					
1	I know a little about GST.	1	2	3	4	5
2	I am satisfied with the information provided by the government.	1	2	3	4	5
3	I will find additional information about GST if I still unclear about it.	1	2	3	4	5
4	I know that GST has been implemented in manycountries around the world.	1	2	3	4	5
5	I agree with implementation of GST in Malaysia.	1	2	3	4	5
6	I am ready with implementation of GST in Malaysia.	1	2	3	4	5
B.	***Perception***					
7	GST system is easy to understand.	1	2	3	4	5
8	GST will increase government revenue.	1	2	3	4	5
9	GST is able to reduce people's income gap.	1	2	3	4	5
10	The cost of living is same either before GSTor after GST being implemented.	1	2	3	4	5
11	GST will increase the price of goods and services.	1	2	3	4	5
12	GST will give a positive impact to the people's and country.	1	2	3	4	5
C.	***Acceptance***					
13	GST can improve previous Sales and Services Taxes (SST) system.	1	2	3	4	5
14	Coverage about GST is fair, thorough and more systematic.	1	2	3	4	5
15	I will accept the implementation of GST if it do not affect households'economy.	1	2	3	4	5
16	Implementation of GST will improve Malaysia economic.	1	2	3	4	5
17	6% GST rate that being imposed is appropriate.	1	2	3	4	5
18	GST should be continued in the future.	1	2	3	4	5

C. PURCHASING BEHAVIOUR

Instrusction : Please rate item according to the following measurement scale. Please **CIRCLE** your answer**.**

Extremely disagree   *1*   *2*   *3*   *4*   *5*   *Extremely agree*

After GST implementation….					
19	I will choose certain items only for daily expenses.	1 2 3 4 5			
20	I will put a quantity limit for important items.	1 2 3 4 5			
21	There is a a lot of *(needed/desired) items that I have to let go.	1 2 3 4 5			
22	Family budget was highly affected.	1 2 3 4 5			
23	I am working more on saving.	1 2 3 4 5			
24	I rarely go shopping because i want to save my money.	1 2 3 4 5			

* choose either one

THANK YOU FOR YOUR COOPERATION

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DESCRIPTIVE STATISTIC

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	50	45.5	47.6	47.6
Valid	Female	55	50.0	52.4	100.0
	Total	105	95.5	100.0	
Missing	System	5	4.5		
Total		110	100.0		

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
	20-29 years	32	29.1	30.5	30.5
	30-39 years	38	34.5	36.2	66.7
Valid	40-49 years	32	29.1	30.5	97.1
	50 & above	3	2.7	2.9	100.0
	Total	105	95.5	100.0	
Missing	System	5	4.5		
Total		110	100.0		

Race

		Frequency	Percent	Valid Percent	Cumulative Percent
	Malay	75	68.2	71.4	71.4
Valid	Chinese	30	27.3	28.6	100.0
	Total	105	95.5	100.0	
Missing	System	5	4.5		
Total		110	100.0		

56

Religion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Islam	76	69.1	72.4	72.4
	Buddha	26	23.6	24.8	97.1
	Christian	3	2.7	2.9	100.0
	Total	105	95.5	100.0	
Missing	System	5	4.5		
Total		110	100.0		

Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	48	43.6	45.7	45.7
	Married	56	50.9	53.3	99.0
	Widow	1	.9	1.0	100.0
	Total	105	95.5	100.0	
Missing	System	5	4.5		
Total		110	100.0		

Highest Academic Achieved

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Master	6	5.5	5.7	5.7
	Bachelor degree	38	34.5	36.2	41.9
	Diploma	23	20.9	21.9	63.8
	Certificate	7	6.4	6.7	70.5
	STPM	5	4.5	4.8	75.2
	SPM	26	23.6	24.8	100.0
	Total	105	95.5	100.0	
Missing	System	5	4.5		
Total		110	100.0		

Income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below RM2000	17	15.5	16.2	16.2
	RM2001-3000	53	48.2	50.5	66.7
	RM3001-RM4000	33	30.0	31.4	98.1
	4	2	1.8	1.9	100.0
	Total	105	95.5	100.0	
Missing	System	5	4.5		
Total		110	100.0		

Dependent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		5	4.5	4.5	4.5
	1	32	29.1	29.1	33.6
	2	22	20.0	20.0	53.6
	3	19	17.3	17.3	70.9
	4	15	13.6	13.6	84.5
	5	13	11.8	11.8	96.4
	6	4	3.6	3.6	100.0
	Total	110	100.0	100.0	

Domestic Purchasing in a Month

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	RM201-RM300	5	4.5	4.8	4.8
	RM301-RM400	44	40.0	41.9	46.7
	RM401-500	39	35.5	37.1	83.8
	RM501 & above	17	15.5	16.2	100.0
	Total	105	95.5	100.0	
Missing	System	5	4.5		
Total		110	100.0		

Readiness

Descriptive Statistics

	Mean	Std. Deviation	N
B1. I know a little about GST.	3.89	.577	105
B2. I am satisfied with the information provided by the government.	2.91	1.194	105
B3. I will find additional information about GST if I still unclear about it.	2.90	1.126	105
B4. I know that GST has been implemented in many countries around the world.	4.00	.784	105
B5. I agree with implementation of GST in Malaysia.	2.46	1.127	105
B6. I am ready with implementation of GST in Malaysia.	2.30	1.020	105

Perception

Descriptive Statistics

	Mean	Std. Deviation	N
B7. GST system is easy to understand.	2.76	1.148	105
B8. GST will increase government revenue.	4.23	.593	105
B9. GST is able to reduce people's income gap.	2.19	.822	105
B10. The cost of living is same either before GST or after GST being implemented.	1.50	.521	105
B11. GST will increase the price of goods and services.	4.56	.517	105
B12. GST will give a positive impact to the people's and country.	2.90	1.165	105

Acceptance

Descriptive Statistics

	Mean	Std. Deviation	N
B13. GST can improve previous Sales and Services Taxes (SST) system.	3.41	1.261	105
B14. Coverage about GST is fair, thorough and more systematic.	3.08	1.313	105
B15. I will accept the implementation of GST if it do not affect households'economy.	4.42	.496	105
B16. Implementation of GST will improve Malaysia economic.	4.27	.724	105
B17. 6% GST rate that being imposed is appropriate.	1.71	.781	105
B18. GST should be continued in the future.	1.61	.528	105

Purchasing behaviour

Item Statistics

	Mean	Std. Deviation	N
C19. I will choose certain items only for daily expenses.	3.90	.779	105
C20. I will put a quantity limit for Important items.	3.47	1.233	105
C21. There is a a lot of desired items that I have to let go.	1.80	0.620	105
C22. There is a a lot of needed items that I have to let go.	3.88	0.669	105
C23. Family budget was highly affected.	4.40	.511	105
C24. I am working more on saving.	2.58	1.314	105
C25. I rarely go shopping because i want to save my money.	4.22	.693	105

RELIABILITY

Readiness

Reliability Statistics

Cronbach's Alpha	N of Items
.808	4

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
B7	15.39	3.760	.103	.078	.279
B8	13.92	5.148	.013	.041	.306
B9	15.96	3.864	.308	.175	.097
B10	16.65	5.038	.096	.081	.266
B11	13.59	5.225	.018	.060	.300
B12	15.25	3.342	.196	.130	.172

Perception

Reliability Statistics

Cronbach's Alpha	N of Items
.762	6

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
B13	15.09	3.214	.069	.053	-.066
B14	15.42	3.034	.078	.015	-.089
B15	14.08	5.148	-.123	.047	.102
B16	14.23	4.832	-.075	.058	.099
B17	16.78	4.327	.056	.069	-.011
B18	16.89	4.891	-.022	.030	.050

Acceptance

Reliability Statistics

Cronbach's Alpha	N of Items
.833	6

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
B13	15.09	3.214	.069	.053	-.066
B14	15.42	3.034	.078	.015	-.089
B15	14.08	5.148	-.123	.047	.102
B16	14.23	4.832	-.075	.058	.099
B17	16.78	4.327	.056	.069	-.011
B18	16.89	4.891	-.022	.030	.050

Purchasing behavior

Reliability Statistics

Cronbach's Alpha	N of Items
.812	7

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
C19	14.09	4.314	.012	.044	.847
C20	14.42	3.564	.123	.045	.864
C21a	14.28	3.148	-.981	.964	.832
C21b	14.23	3.782	-.981	.964	.849
C22	14.78	4.907	-.077	.017	.861
C23	14.89	4.981	-.119	.086	.845

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REGRESSION WITHOUT MODERATOR

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.337[a]	.114	.078	.693

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.154	4	1.539	3.203	.016[b]
	Residual	48.036	100	.480		
	Total	54.190	104			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.353	1.102		3.043	.003
	readiness	-.425	.142	-.284	-2.990	.004
	perception	-.016	.177	-.009	-.089	.929
	acceptance	-.199	.183	-.104	-1.091	.278
	purchase	.212	.179	.112	1.181	.240