THE EFFECTS OF GST KNOWLEDGE TOWARDS STUDENTS' SPENDING PATTERN

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Abstract

The implementation of GST in Malaysia as of 1st April 2015, which replaced the current Sales and Services Tax (SST) is viewed as a more efficient tax to manage and is able to generate greater revenue collection for the government. This multi-tiered tax rate of 6 percent is finally borne by the end consumers of the goods and services regardless of their income levels. As a result, even non-income earners such as students are inevitably forced to bear the rising price of their consumptions. This study aimed to investigate the level of GST knowledge among the final year students in the Faculty of Accountancy, UiTM Puncak Alam. The students' knowledge and perception on issues related to GST were found to have certain impacts on their spending pattern. Evidently, the findings revealed that students who have much information about GST and in cases where they perceived that GST is an unfair and unequitable tax system, both situations are highly likely to have significant effects on their spending trend.

Keywords: *GST; students' knowledge; spending pattern; equitable; tax system*

1.0 INTRODUCTION

In Malaysia, the intention to introduce Goods and Services Tax (GST) was mooted since Budget 2005 when the government first announced that GST would be replacing Sales and Services Tax (SST). However, on 22 February 2006, the implementation of this proposed tax was postponed to give sufficient time for traders to prepare their business for the implementation of the new tax, adopt suitable software for the business and provide adequate training to staff involved in GST transactions. Finally, on 1st April 2015, GST was fully implemented by the Malaysian government (Royal Malaysian Custom Department, 2015), with the aim to reduce the continuous budget deficit and to prepare the nation in times of economic uncertainty.

The newly implemented GST is not completely free from any problems and past literature have discussed several issues and problems related to GST implementation (Kadir, Yusor & Hassan, 2015; Shaari, Ali & Ismail, 2015; Palil & Ibrahim, 2011; Csontos, Kornai & Torth, 1998). Currently, the escalating inflationary pressure in Malaysia is believed by many people as a result of the recent cutback of petrol subsidies (Ling et al., 2016). The relatively high cost of living particularly in big cities like Kuala Lumpur, Penang and Johor Bahru has persistently stimulated inflation and consequently, the significant general price increased due to GST has further worsen the situation (Palil & Ibrahim, 2011). As a result of the increase in prices of several products in the market, the situation has affected the consumers'

consumptions behaviour where people are more prudent and selective in their purchasing (Palil & Ibrahim, 2011). Among the low-income group, students are also affected with the implementation of GST since they are no different from any other consumers who consumed goods and services (Shaari, Ali & Ismail, 2015). The students' spending includes toiletries and cosmetics, entertainment, books and magazines, fast food, clothing and footwear and others. All these goods are GST chargeable at standard rated. According to Ministry of Higher Education, in the year 2015, there are about 1,134134 students enrolled in Malaysia higher education institutions. Therefore, the sizeable populations of higher education students who are non-income earners are also affected with the GST implementation

It is essential that future generation, particularly, students from higher institutions are fully aware of taxation issues which will affect their daily lives and are well informed with any information connected to their roles as the nation's future human resources. A study on the introduction of new tax reform in Malaysia by (Mansor & Illias, 2013) emphasized the need to prepare higher education students and graduates with adequate knowledge on taxation so as to guarantee the success of GST's implementation. (Shaari et al., 2015) in their latest study focused mainly on GST awareness among higher education students and proved that although students were conscious of the government's proposal to implement GST, they still have limited knowledge pertaining the matter. Extending the issue from previous empirical evidence, therefore, this study is vital to fill the gap and add knowledge to the GST literature. This is done by examining the final semester degree students' level of knowledge on GST implementation and the effect of GST on the students' spending pattern.

2.0 LITERATURE REVIEW

2.1 Level of Knowledge of GST Implementation among Students'

GST was implemented on 1st April 2015 and it is relatively a new tax system in Malaysia. Since it is a new tax system implemented in Malaysia, generally, there are lack of awareness and understanding on GST implementation. One of the earliest studies on GST concept and readiness in Malaysia had discussed on the general public awareness towards GST. The study shows significant relationship between tax knowledge and tax awareness of Malaysians which implies that it is easier for them to understand and comply with the tax rules if they possess the related knowledge (Tayib, 1998). In another study by Tan & Chin (2000), they emphasized on the government's failure to deliver GST information to the public, and their finding concludes that the Malaysians understanding and knowledge of GST were still at the introductory level. Obviously, in one of the study by (Saira, Zariyawati, & May, 2010), they highlighted the initial public resistance and uncertainty on the imposition of new regulation such as GST was due to lack of familiarity with the new system. As a result of the poor dissemination of information, people are discouraged to accept GST implementation since they are engulfed by the assumption of price increase and inflation (Palil & Ibrahim, 2010).

2.2 Sub Topic 2

Palil and Ibrahim (2011) found that lack of knowledge among Malaysian raise a distress among the citizens, especially those from the low and middle income group who are worried on the impact of GST on their purchasing power ability. As a consequence, people tend to perceive that GST will cause the goods and services to be more expensive, and hence increase their daily expenses. Due to this reason, people tend to be more selective and cautious in their spending behaviour. Another study on Malaysian groups of employees and employers found that most of the working people believed that they have to change their daily routine and lifestyle after the implementation of GST. Among those affected with the implementation of GST are students in higher learning institutions who are mostly dependent depending on loans or scholarship from public and private sponsors. For example, based on The National Higher Education Fund Corporation (PTPTN) (Perbadanan Tabung Pendidikan Tinggi Nasional (2016),

maximum educational loan offered to undergraduate student in public universities is about RM6, 500 per year before the deduction of tuition fee payable to the universities.

According to Secretary General of Ministry of Higher Education, Datuk Seri Zaini Ujang, tuition fee for higher education in Malaysia is considered among the cheapest in the world, about RM 2,000 per annum for students studying at Universiti Malaya (UM) and Universiti Sains Malaysia (USM) (Study Malaysia, 2015). Hence, on average, the net allowance received by student is only about RM4, 500 per year (RM6, 500 – 2,000) which is approximately RM 375 per month. It is expected that students are likely to face greater impact of GST alongside with the other low income groups in relation to their spending level. In fact, (Hoe, Teh, Soh, & Ong, 2015) state that GST will reduce consumers' spending power which in turn will reduce their domestic consumption. Given the lack of empirical evidence on the effect of GST implementation on students spending pattern, we are motivated to investigate this issue. Specifically, this study is conducted to investigate the level of GST knowledge among the final year degree students in Accountancy at UiTM Puncak Alam and how GST impacted their spending pattern.

2.3 Conceptual Framework

The conceptual framework below depicts the relationship between the students' level of knowledge (independent variable) proxy by their perception of fair and equitable GST implementation and their perception on the importance of GST implementation to increase governments' revenue collection. When individuals especially students have knowledge related to the new tax systems such as GST, they are more willing to respect the tax system, thus, increasing their awareness and compliance. Furthermore, with the implementation of GST often it will increase the price of the products, therefore affecting most individuals spending pattern. This is supported by the findings of past study where they found that GST did affect the private spending patterns (Carvalho & Lian, 2010). In their study, the term private spending patterns was inclusive of students since they are also the final consumers who will be charged GST. Hence, student's knowledge of GST is important in educating them to have positive perception that the newly introduced tax is fair and equitable. This leads to the following hypothesis:

H1: There is a positive relationship between students' perception of GST as fair and equitable with their spending pattern.

H2: There is a positive relationship between the students' perception of GST contribution in raising the governments' revenue collection and their spending pattern.
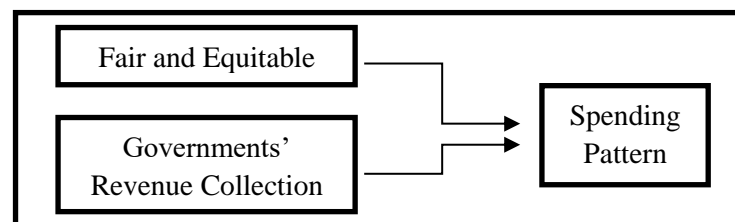

Figure 1 Conceptual framework

3.0 METHODOLOGY

3.1 Population and Sample

The population of the study consists of the final year students of Bachelor in Accountancy, UiTM Puncak Alam, Selangor. Basically, there are about 8 classes in total with almost 240 students. A set of 240 questionnaires were distributed to all the classes and was directly collected from them upon completion. However, there were 40 students (three classes) who were unable to participate in this survey due to other commitment. As a result, out of the 200 questionnaires distributed, only 183 of the questionnaires were valid and useable.

3.2 Research Instrument

For the data collection, a set of questionnaires was designed to gain primary data from the respondents about their awareness and knowledge on the implementation of GST in Malaysia and its effect on their spending pattern. There are 3 sections in the questionnaires. Section A consists of demographic information about gender, monthly spending amount, financial source, family background and their main source of GST knowledge and information. For Section B, it comprises Likert-typed questions from the scale of 1 (strongly agree) to 5 (strongly disagree) which measure students' awareness about GST. Section C also consist of Likert- type questions from 1 (strongly increase) to 5 (strongly decrease) which measure GST effects towards students spending pattern.

3.3 Data Analysis

Data on demographic factors were analyzed using the descriptive statistic. For the dependent variable (students' spending pattern), eleven constructs were used as proxies and these constructs were toiletries and cosmetics, hairdressers and beauticians, entertainment, fast food, clothing and footwear, computer equipment/software, internet/ broadband connection, recreational and sporting equipment, vehicle maintenance and stationery (Alhabeeb, 1996). The level of students' knowledge towards GST implementation was used as the independent variable and two constructs were used as proxies for students' level of knowledge. These constructs are fairness and equitable, and government revenue collection.

The mean scores were used to determine the scores of the attributes. As the questionnaires were adapted from past study, the reliability test was also conducted on the variables to measure respondents' perceptions that these statements be reliable or consistent. Consistency in the statements within each dimension depends on the correlation between statements. If the correlation is high, the statements are consistent (reliable), and vice versa. In the reliability testing technique, this consistency manifests in Cronbach's Alpha value which corresponds to a correlation coefficient. To measure the relationship between the spending pattern and the two construct, the regression analysis were also been carried out.

4.0 FINDINGS

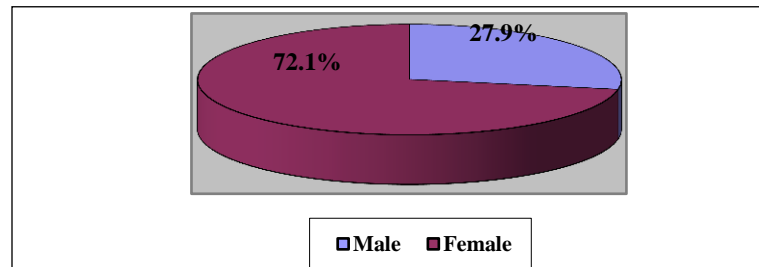### 4.1 Respondents Profile

i) Gender

Figure 2 gender

In regards to gender (Figure 2), majority of the degree students in accountancy course was female with 72.1 percent compared to 27.9 percent of male students were involved in this study. This indicates that, accounts degree students at Puncak Alam dominated by female students compared than male.
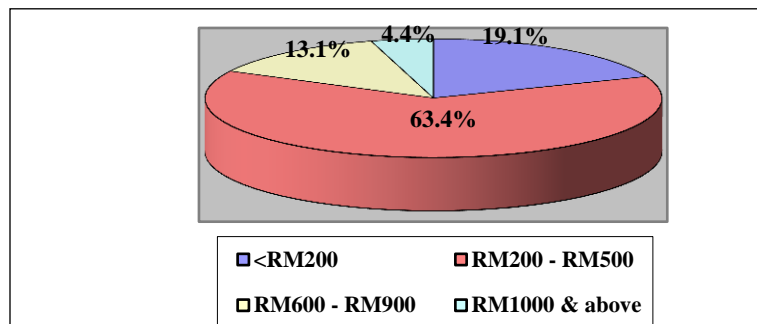
ii) Monthly Spending Amount

Figure 3 Monthly spending amount

Among those respondents, 63.4 percent of them had spent RM 200-RM 500 per month, while 19.1 percent had spent less than RM200 per month, 13.1 percent had spent RM600 – RM900 per month and only 4.4 percent had spent more than RM1000 per month. This result shows that those who are taking part in the survey probably among students that spend between RM 200 to RM 500 per month as they are the highest number of students in the accountancy course.
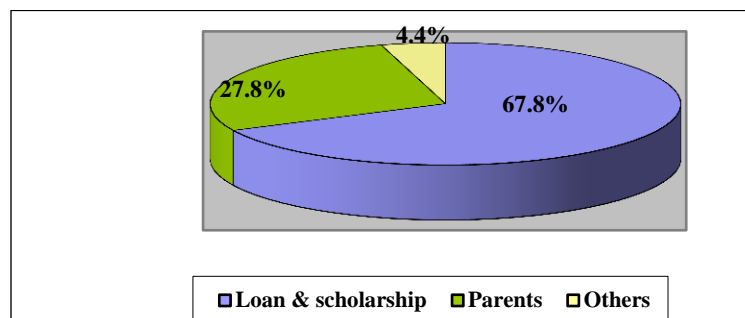
iii) Financial Source

Figure 4 Financial source

Figure 4 represents that most of the respondents with 67.8 percent had their financial source from their loan and scholarship. Another 27.8 percent of respondents had their financial source from their parents and the remaining 4.4 percent had their financial from others source. This indicates that, most of the students spend their expenses from their loan and scholarship compared to other financial sources.

4.2 Reliability Analysis

Table 1 Reliability yest

Dimension	No. of statements	Cronbach
GST Fairness and Equitability	9	0.889
GST Financial Contribution	5	0.675
Effect of GST on Student's Spending Pattern	11	0.945

The Cronbach's alpha values are high, ranging from 0.675 (GST financial contribution) to 0.945 (Effect on GST on student's spending pattern), implying that the various statements reliably measure the perceptions of the respondents on the three dimensions related to the GST knowledge and spending pattern among student's final year degree in Accountancy.

4.3 Students' Level of Knowledge on Fairness and Equitable of GST Implementation

The mean scores of all items under the construct "GST Fairness and Equitable" and the result shows an overall mean of 3.25 which indicates that the respondents generally does not agree with the items in the construct, given that the score of 1 represents 'strongly agree' while the score of 5 represents 'strongly disagree' in this particular construct. It shows that students think that GST is not fair and equitable to society because the new tax regime is deemed regressive. It means they have to pay for the consumption tax even though they did not generate any income. Students show their disagreement with the statement, 'GST protects the interests of low income earners including students' with a mean of 3.84. Furthermore, they also disagree with the statement that 'GST will not burden people' which scored 3.78.

Table 2 Knowledge about fairness & equitable of GST among the students

Statement	Mean	Std.dev
GST will not burden people	3.78	1.167
GST protects the interests of low income earners including student	3.84	1.125
GST is the best tax system adopted by many	2.97	1.074

countries around the world		
GST is fair to the society	3.56	1.141
The 6 percent rate of GST is acceptable	3.32	1.208
GST enables effective audit	3.11	1.076
GST minimizes tax evasion	3.02	1.048
GST is implemented so there should be uniformity in the tax system across the country	2.92	0.929
Use of information technology will ensure greater transparency in administration of GST	2.80	0.898
Overall means for awareness: fairness and equitable	3.25	0.721

4.4 Students' Level of Knowledge on Government Revenue Collection towards GST Implementation

The findings showed that overall mean of 2.47 indicate that students generally agree with the statements in this construct. In other words, students feel that GST implementation do make a vital contribution towards government revenue collection which can be utilized for the benefit of the society and country's economic development. The students are still uncertain if the new tax regime (GST implementation) is actually a good tax system for the nation (mean score 2.93). They also agree (mean score equal to 2.15) that the GST implementation would result in rising price of goods and services.

Table 3 Knowledge about financial contribution of GST among the students

Statement	Mean	Std.dev
GST is major revenue of the government	2.30	1.085
GST aims to make the tax system more efficient, comprehensive and transparent	2.67	0.996
GST will generate and increase revenue for the country	2.31	0.981
GST can overcome the Sales and Services Tax which was introduced earlier	2.93	1.006
GST will result in higher prices for goods and services	2.15	1.190
Overall means for awareness: financial contribution	2.47	0.695

4.5 The Effect of GST Implementation towards Students' Spending Pattern

In this construct the lowest score, 1 represents the student's spending pattern that 'significantly increase' as a respond to the implementation of GST, while the maximum score of 5 represents that the students' spending pattern 'significantly decrease'. There are eleven types of common and typical student expenses labeled as "toiletries and cosmetics", "hairdressers and beauticians", "entertainment", "books, newspapers and magazines", "fast food", "clothing and footwear", "computer equipment/software", "internet/broadband connection", "recreational and sporting equipment", "vehicle maintenance" and "stationery". The overall mean for the effect of GST towards student spending pattern is 3.97 which imply that the students will moderately decrease their spending pattern. This finding indicates that, when the students have the knowledge that GST implementation is fair and equitable (Ishak, Othman & Omar, 2015), they do not blame the government on the rising price of the products they consumed, thus, their spending habits remained unchanged. Meanwhile, knowledge about government revenue collection is not

significantly influencing the student spending pattern. Both predictors which are knowledge on fairness and equitability of GST and knowledge about government revenue collection have positive coefficients which depict the positive relationships between the predictors and the dependent variable.

Table 4 Effect of GST on type of expenses incurred by student

Item	Mean	Std.dev
Toiletries and cosmetics	3.92	0.937
Hairdressers and beauticians	3.85	0.943
Entertainment	3.95	0.982
Books, newspapers and magazines	3.92	0.898
Fast food	4.02	0.972
Clothing and footwear	4.03	1.016
Computer equipment/software	4.09	1.018
Internet/broadband connection	3.97	0.952
Recreational and sporting equipment	3.89	0.897
Vehicle maintenance	4.10	1.019
Stationery	3.96	0.913
Mean_pattern	3.97	0.771

4.6 Multiple Regressions

As shown in Table 5, the R Square value for this model is 35.9% of the variation in the dependent variable (student spending pattern) which mean that about 35.9 % of the variation in the students spending pattern is explained by the students' level of knowledge about GST implementation. Meanwhile, the remaining 64.1% of the dependent variable (student spending pattern) is explained by other factors which are not included in the model of this study.

Table 5 Model summary of the multiple regression analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.214[a]	.359	.253	.75774

a. Predictors: (Constant), Overall means for fairness and equitable: government revenue collection, Overall means for fairness and equitable: government revenue collection.

Table 6 ANOVA[b]

Model	Sum of Square	df	Mean Square	F	(p) Sig.
Regression	4.969	2	2.485	4.327	.015[a]
Residual	103.352	180	.574		
Total	108.321	182			

a. Predictors: (Constant), Overall means for fairness and equitable: financial contribution, Overall means for fairness and equitable: financial contribution

b. Dependent Variable: Overall means for spending pattern

Table 6 (ANOVA) provides a report on the overall significance of the model. Table 5 further indicates the *p* value of .015 is less than 0.05, which explains that there is an association between student spending pattern and any or all the independent variables.

Table 7 Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	(p) Sig.
	B	Std. error	Beta		
(Constant)	3.172	.333		9.521	.000
Overall means for: knowledge on fairness and equitability of GST	.229	.078	.214	2.937	.004
Overall means for: knowledge about government revenue collection of GST	.022	.081	.020	.276	.783

a. Dependent Variable: Overall means for spending pattern

Table 7 shows the value of the coefficients. Besides that, the **t** and **p** values will indicate whether there is significant evidence that both knowledge on fairness and equitable of GST and knowledge about government revenue collection will influence the students' spending pattern. According to the results, only knowledge on the fairness and equitability of GST is significantly affecting the students' spending pattern (p = .004). This finding indicates that, when the students have the knowledge that GST implementation is fair and equitable, they do not blame the government on the rising price of the products they consumed, thus, their spending habits remained unchanged (Awaludin, Mohd Suhaimi, Bakar & Jaafar, 2015). Meanwhile, knowledge about government revenue collection is not significantly influencing the student spending pattern.

As shown in the results, both predictors which are knowledge on fairness and equitability of GST and knowledge about government revenue collection have positive coefficients which depict the positive relationships between the predictors and the dependent variable.

5.0 CONCLUSION

The result of this study is parallel to a study by (Mansor & Illias, 2013) who found that higher education students and graduates should be prepared with adequate and wider knowledge of GST to ensure positive receptions of GST implementation. Furthermore, in another study by (Shaari, Ali & Ismail, 2015) which also focused on GST awareness among higher education students and they found that although students were conscious of the decision by the government to implement GST, still they have limited knowledge pertaining to this matter. Most students, although they have been taught about the technical aspect of GST in their curriculum, they are still unsure of the GST implementation and its effect towards the final consumers. One of the earliest studies on GST concept and readiness in Malaysia discusses general public awareness towards GST. This study shows significant relationship between tax knowledge and tax awareness of Malaysian which make it easier for them to study and comply with the tax rules if they possess the knowledge (Tayib, 1998).

On the knowledge about government revenue collection, the mean is 2.47, which indicates majority of the respondents have a moderate level of knowledge on government revenue collection. The findings in this study show that, there is no significant relationship between knowledge of the government revenue collection and students' spending pattern. In other words, the students perceive that the government's

revenue collection is irrelevant in influencing their spending pattern. Overall, the results of this study showed that the students are still uncertain of the fact on the fairness and equitability of GST and they are more likely to think of GST as reasonably unfair and unequitable. It is recommended that the government must put serious efforts to make the Malaysians especially students understand about the fairness and equitability of GST as well as the contribution of GST to the country. This is important as these young citizens will become an income earners and tax payers in the future. Thus, proper awareness and knowledge about GST during their tertiary education age is vital to seed a positive perception about GST and to inculcate sincerity in paying tax as part of their contribution towards the nation.

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