

PERCEPTIONS OF MALAYSIAN CONSUMERS REGARDING THE RE-IMPLEMENTATION OF GOODS AND SERVICE TAX (GST) AND ITS IMPACT ON SPENDING BEHAVIOR

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ABSTRACT

This study examined the mediating effect of consumers' awareness and perception on re-implementation of the GST on consumer spending behaviour in Malaysia. The study involved 537 respondents in the online survey. Findings reveal that GST rate and tax system's complexity positively influence consumers' awareness and perception towards the re-implementation of GST. Additionally, demographic factors, consumer awareness and perception significantly impact on consumer spending behaviour. Interestingly, consumer awareness mediating the relationship between tax rate and consumer spending behaviour, but not consumer perception. Thus, this provides insights to various stakeholders such as scholars, consumers, industry players and Malaysian Government.

INTRODUCTION

Malaysia had implemented the Sales Tax and Service Tax (SST) for more than half a century since 1970s. On 1 April 2015, Malaysian Government has replaced SST with Good and Service Tax (GST). Since then, Malaysian Government revenue has increased from RM212.4 billion to RM263.3 billion with additional of approximately RM50 billion. This clearly shows that the government has more tax revenue through the implementation of GST (Cheah, 2020). However, the implementation of GST could directly cause a spike in inflation

where the consumer goods and services price will increase in short-term as well as in long-term. Eventually, this makes public suffer over the rise of living costs. After then, Malaysian Government has decided to abolish the GST by keeping GST rate to zero percent and re-introduced SST in September 2018 which reduce the national revenue.

In November 2020, the Ministry of Finance (MoF) has set up a committee to study various revenue-enhancing measures, including the possibility of reintroducing GST (Adreena, 2020). Based on the study, it highlighted that the total collection for GST from 2015-2018 was RM133.1 billion which approximately RM44 billion per year, while SST collection was just RM21 billion per year. This is also partly due to the number of companies (597,000 companies) registered under GST greater than SST (46,519 companies). Whereas the types of taxable products under GST is two times more than SST (6,000 types of products). Hence, the country faced a revenue shortfall when the GST was abolished and replaced with the sales and service tax (SST) (Abolishment of GST affected country's revenue, 2020). The situation became worse, and its fiscal deficit increased substantially during the Covid-19 pandemic, so further debt is required (Cheah, 2020). Malaysia's debt is expected to increase further to 61% of Gross Domestic Product (GDP) in 2021. During COVID-19 pandemic, Malaysian Government also taken a series of initiatives to support Small and Medium Size Enterprise and citizens and Malaysian citizens (Soh, 2020). Thus, declining of national income will impose further challenges to Malaysian Government as higher government expenditure is required to support the economic recovery from COVID-19.

Both SST are single stage tax, whereas GST is a multistage tax. The reimplementation of GST is just to replace the existing SST. GST is not an additional tax to consumers but it will be imposed on more consumer products. Government needs to consider the GST rates and the consumer products that are subject

to GST. It should increase the government's tax revenue but at the same time not be too burdensome on the consumers especially those lower income groups. The researchers (Sanusi, Omar & Sanusi, 2015) highlighted that GST not only increases the tax revenue, it also is a mechanism to reduce the tax collection leakage that happens every year. Hence, the government will have enough resources for social, economic and country's development programs. Other studies have indicated that the public are normally not aware how the government spends the tax revenue. They also have lack knowledge and awareness on the different types of tax imposed in Malaysia (Asma & Zulkarnain, 2014). Hence, it is not surprising that the public may not be aware of the re-implementation of GST. It may subsequently influence the spending behaviour among consumers.

It is important to increase tax revenue as it would help to reduce the fiscal deficit. The re-implementation of GST can increase tax revenue, so the government should study this proposal from an economic perspective. The government should consider the consumers' awareness and their perception about the GST as well as consumers have to pay GST when they purchase those taxable products. The reimplementation of GST is expected to increase the price of the goods and services. In addition, with more consumer products subject to GST, it will be a burden to them. This may affect their spending behaviour especially those lower income consumers. To date, much of the current work have examined the perception of tax compliance behaviour (Alm, 2018; Kiconco et al., 2019; Sadress et al., 2019; Taing & Chang, 2020), where empirically affirmed that three salient construct of Theory of Planned Behaviour (Taing & Chang, 2020), two salient constructs of Theory of Reasoned Action (Kiconco et al., 2019), intention to lie (LaMothe & Bibek, 2020), tax enforcement (Bruno, 2018), tax fairness, isomorphic forces, strategic responses (Musimenta et al., 2017, Sadress et al., 2019), adoption of electronic tax system (Sadress et al., 2019), tax moral, tax

service quality (Alshira et al., 2020), tax justice and trust (Guzel et al., 2019) are significantly related to perception of tax compliance. Notwithstanding of this abundant research antecedents, there is limited studies tested the mediating effect of awareness and perception on the GST rates and complexity of the tax system and consumer spending behaviour. Apart from this, most studies generally argued and affirmed the antecedents of tax compliance. However, the empirical research on tax complexity on consumer spending behaviour is also scarce.

Thus, the purpose of study is threefold as stated below:

- 1) To examine the direct effect of GST rates and tax system's complexity on consumers' awareness as well as perception about GST.
- 2) To examine the direct effect of demographic variables, consumer awareness as well as perception on the GST on consumers' spending behaviour.
- 3) To examine the mediating effect of consumer awareness as well as perception on GST on the relationship between tax system's complexity and consumer spending behaviour.

LITERATURE REVIEW

GST tax system complexity

Several previous studies have shown that the GST rates and its system's complexity played an important role in influencing consumer spending behaviour. According to Palil and Ibrahim (2011), the introduction of GST in a country encouraged producers to simply increase the prices of goods and services that in turn lead to inflation problem. The rising prices would burden the people and eventually change their spending behaviour particularly those from the lower income groups. Similarly,

Alappatt and Shaikh (2014) and Urif, (2016) opined that the implementation of GST could cause low- and middle- income groups to suffer from increased prices of products such as food, healthcare and transportation. As a result, people are forced to alter their spending habits due to reduced purchasing power and increased costs of living. Most of the consumers would cut their consumption on goods and services as prices often inflate significantly after GST implementation (Ishak et al, 2015; Zabri et al, 2016).

A study by Durai and Gayathri (2018) supported the notion that the imposition of a relatively high GST rate on the people would deter households from spending. This is because GST increases the products' prices in the economy that in turn influences people's consumption pattern. Moreover, the relationship between tax complexity and individuals' spending behaviour was highlighted by Facchini (2018). The tax system's complexity is said to have a great influence on people's spending behaviour towards public outputs. As complex tax system increases the costs of acquiring budgetary information, people tend to underestimate the prices of public goods. This would lead to a greater consumption on public products as compared to other goods and services.

In Mehta and Kaur (2018), respondents stated that they did not support GST and disagreed with its implementation, simply because beside the increased cost of living, increased services and products cost on individuals, there were also the multiple rate structure, confusion over the GST concept, increased legal compliances and tax burden on small businesses. On the other hand, respondents who supported the GST mainly opined on more transparency, less corruption, and reduction on tax evasion. In addition, the respondents believed that the spending behaviour could be affected.

Consumer perception on the re-implementation of GST

In Ramkumar (2018), the respondents in Chennai city, advanced their opinion on the various aspects of GST in India. Generally, the respondents were aware of the four tier GST rates and the dual model of GST in the form of CGST and SGST. The respondents maintained a neutral opinion on the GST working mechanism. Nonetheless, they expressed their dissatisfaction on the rates applicable for different products and related problems. Additionally, the respondents disagreed that GST has resulted in increased individuals' personal income and reduced unemployment in the country. Importantly, the respondents stated that they did not experience any increase in their disposable income and the fall in inflation level.

In Ramkumar and Chitra (2020), on the role of GST and its implementation, the respondents perceived that price of product was the major factor influencing their purchasing decision. Followed with their social behaviour and payment mode been modified. In addition, they perceived their spending ability was affected with the increased cost of living resulted in limiting their spending ability. 36% of the 50 respondents in a study by Vincent and Priya (2020) perceived that as consumers, the GST is very difficult to understand and it has increased their tax burden, and 48% of them disagreed on GST would encourages saving on their income. With the mixed perception provided by the respondents in the above studies, we hypothesized as follow:

(H₁): Complexity of the tax system influence consumers' perception about the GST.

Consumer awareness and perception about the GST

In the 256 respondents in civil services, 82.8% of them knew about GST through newspaper (56.6%), television or radio (53.3%), internet

(34.4%), friends (31.6%), teachers or lecturers (7.1%), seminar (5.7%) and other sources (5.2%). With all these knowledge sources, the findings showed that the level of awareness of GST for both male and female respondents were moderate (Mohamad Ali et al, 2016). Zabri et al (2016) also found from the analysis on their 300 respondents, the moderate level of GST understanding. On the perception towards the impact of GST, regardless of gender, marital status and age of the respondents, the results demonstrated a high negative perception about GST (Harjinder Kaur (2018); Mohamad Ali et al). Whereas in Kumar and Sarkar (2016), 75.80% of the respondents aware of VAT being levied on all kinds of product. Also, 80.30% were aware that they have to pay tax on all their purchased products. A study conducted in New York City taxi market by Kenchington et al. (2022) reveals that when the tax on cigarettes increases, the smoker taxi driver be more frequently to cheat their customer to obtain more taxi fare. They performed such a way because they are aware that tax imposed on the cigarettes ending up, they have to pay more to obtain the said product. Thus the following hypothesis is proposed.

(H₂): Complexity of the tax system influence consumers' awareness about the GST.

Consumer spending behaviour

Zabri et al (2016) investigated 300 respondents on the changes in consumers' spending behaviour after the implementation of GST; the result shown that there was a medium level of understanding towards GST. It further shown that with an aggregate mean score of 3.71, the respondents agreed on their reduced spending after the implementation of GST. Moreover, there was no significant relationship between the levels of understanding of GST and spending behaviour among consumers, this was due to the value of correlation coefficient was +0.03 which indicated a very weak positive and not significant relationship between level of understanding and spending

behaviour. However, the significant point found was where the respondents agreed on their reduced spending. This significant behavioural change confirmed the study of Palil and Ibrahim (2012) where households' potential consumptions behaviour changed significantly due to the implementation of GST. In Durai and Gayathri (2018), the opinion found was a mixed positive and negative one where the increased prices on services and products affected consumer's spending behaviour. However, there was no level of significance and no association between income level and spending behaviour. Considering the above, we hypothesized the followings:

- (H₃): Consumers' perception about the GST influence consumers' spending behaviour.
- (H₄): Consumer awareness influence consumers' spending behaviour.
- (H₈): Perception about the GST mediate the relationship between the tax system complexity and consumer spending behaviour
- (H₉): Consumer awareness mediate the relationship between tax system complexity and consumer spending behaviour.

Income Level

Past studies have found a significant linkage between income level and consumer buying behaviour. A study by Gadhve, Daingade and Jamadar (2015) on consumers in the rural markets revealed that households with lower income preferred long lasting, cheap and easy to use goods. Disegna and Osti (2016) also confirmed that consumer expenditure was affected by their income level. According to the economic theory of consumer behaviour, rational consumers would tend to choose goods and services that can maximize their level of utility or satisfaction with a given level of income. Consumers are assumed to rank the goods and services and choose combinations of products that would lead to maximum

satisfaction. Bunn, Reinold, and Surico (2018) investigated the impact of income changes (both positive and negative adjustments) on consumer spending behaviour. The results indicate that adverse income shocks have significant influence on spending responses than positive income shocks. The finding further produced significant implications for people responses to fiscal policy including tax measures taken by the government. Ramkumar and Chitra (2020) concluded in their study that indirect tax is positively related to consumers' disposable income. However, there are some limited studies which discovered that income and individual spending behaviour are unrelated; there was no significant relationship between consumer income and their buying behaviour (Durai & Gayathri, 2018). As such, the following hypothesis is formulated:

- (H₅): Income level influence consumers' spending behaviour.

Educational Level

The study from Harjinder Kaur (2018) stated that 36% respondents with post graduate degree demonstrated that education being a demographic variable has a significant relationship on the level of awareness and knowledge about GST. Although the overall result further indicated the level of awareness of the GST is below a satisfactory level. Whereas in Ramkumar and Chitra (2020), with as high as 70% of the respondents being undergraduate with reasonable earnings, the respondents felt that their cost of living increased due to GST and that has limited their spending ability. Therefore, the following hypothesis is formulated:

- (H₆): Education level influence consumers' spending behaviour.

Individual's Occupation

An individual's occupation is an important determinant for consumer spending behaviour. In Borwein (2020), it is discovered that

occupational background and consumption pattern are closely related among the Canadian cabinet ministers. Likewise, Fourie, Slabbert and Saayman (2018) reveal that average spenders and big spenders have different spending pattern when it comes to the choice of tourist destinations. Specifically, big spenders are mostly professionals who can afford to pay for iconic natural attractions in which they spend much more than the average spenders. Other studies which have demonstrated a meaningful linkage between occupation and consumer spending behaviour include Salgado-Barandela, Barajas, and Sánchez-Fernández (2018) and Mortazavi (2021). However, in Durai and Gayathri (2018), out of the 121 respondents, 54.5% were private sector employees, 22.3% came from public sector and self-employed persons were 23.1%, nevertheless, after the implantation of GST, it was found that 53.7% of the mobile phones consumption of the respondents remained the same, and the consumption of hotel service has decreased by 43.8%. Even then, going to restaurants has increased by 57.9%. The result indicated no level of significance association of income level from respondents' occupation on their spending behaviour. In 2019, Parker and Wenyu's study confirmed no significant association between consumers' occupation and their shopping behaviour on fashion apparel in China. It is hypothesized that:

(H₁): Occupation influence consumers' spending behaviour.

METHODOLOGY

Procedure and Sample

The main reason for this study is to understand consumer spending behaviour and examine its perceptions and awareness of consumers toward re-implementation of GST in Malaysia. The target population is citizen of Malaysia who are 18 years and above with income, thereby the size of the population is greater

than 1 million. Based on the Krejcie and Morgan (1970)'s minimum sample size listed in the table, the acceptable minimum sample size for the targeted population with 95% confidence level and a 5% error of margin is 384 respondents. A convenient sampling technique was used to identify respondents who are eligible to take part in the online survey. Prior to data collection, an ethical approval was obtained from Institution Scientific and Ethical Review Committee. An online survey link was distributed to eligible respondents in August 2021 via various platform such as email, WeChat, and WhatsApp. In order to increase the participation rate, a RM 10 was offered to each respondent who responded to the survey as a token of appreciation.

A total of 537 respondents were responded to the online survey link. As sample size of 537 exceeds the required minimum sample size, it can therefore be concluded that the study has sufficient power to identify the required effect size of 0.15. Out of 537 respondents, 317 respondents are female (59%), and 220 respondents are male (41%). Table 1 provides a detail of the respondent's characteristics.

Table 1 shows the respondents' characteristics

Characteristics	Full Sample (N = 537)	
	Frequency	Percentage
<u>Gender</u>		
Male	220	41%
Female	317	59%
<u>Ethnic Group</u>		
Malay	345	64%
Chinese	120	22%
Indian	72	13%
<u>Age Group</u>		
18 - 27 Years Old	196	36%
28 - 37 Years Old	208	39%
38 - 47 Years Old	76	14%

48 - 57 Years Old	39	7%
More than 58 Years Old	18	3%

Gross Personal Income

Below RM2,000	153	28%
RM2,000-RM3,999	161	30%
RM4,000-RM5,999	107	20%
RM6,000-RM7,999	58	11%
RM8,000-RM9,999	30	6%
RM10,000 and Above	28	5%

Highest Qualifications

Primary Education	20	4%
Secondary Education	74	14%
Tertiary Education	215	40%
Postgraduate Education	228	42%

Sector

Public Sector	178	33%
Private Sector	359	67%

Occupation

Administrative	90	17%
Engineering/Technical	67	12%
Managerial/Executive	97	18%
Professional	186	35%
Self-employed	80	15%
Retired	17	3%

Measurement Instruments

As the tax system is unique to the tax context, a list of items was adapted which have been validated by prior research. These items were modified to suit the context of the study. A five-point Likert scale was used to measure these items ranging from one for strongly disagree to five for strongly agree. Prior to data collection, the developed questionnaire was pilot tested by a group of 20 respondents and pre-tested by two professionals. All constructs were higher-order construct: complexity of the GST, perception, awareness, and consumer spending behaviour. Whereas education, income level, and occupation are single-item measure.

Complexity. An eight-item scale measurement was adapted from Mehta and Kaur (2018) and Gowtham Ramkumar (2020). These items were used to understand the view of Malaysian citizens on the complexity of the GST system implemented in Malaysia. Sample items includes “GST is a simpler tax system compared to Sales Tax and Service Tax (SST)” and “I find it difficult to understand the GST system”. The inter-item consistency score for complexity was 0.890, which was regarded as good.

Perception. Perception construct was measured with eight items developed by Vincent and Lakshmi Priya (2020) and Ramkumar (2018) which to assess how respondents perceived the re-implementation of GST in the near the future. The sample items include “GST will increase tax collection for the country” and “GST will increase the tax burden on citizens”. Cronbach’s alpha for perception construct’s measurement in this study was 0.825. This shows that the eight-item scale measurement was reliable.

Awareness. The four-item scale constructed by Kumar and Sarkar (2016) was adapted to measure awareness construct in this study. These items were used to understand the awareness of consumer on the re-implementation of GST. Items includes “I am aware that I have to pay for GST on most products in the future” and “I am aware that manufacturers and dealers have to pay for GST and they will subsequently levy the same tax on consumers”. The Cronbach’s alpha for awareness construct’s measurement was 0.838, which was regarded as good.

Consumer Purchasing Behaviour. This construct was assessed by seven-item scale developed by Durai and Gayathri (2018) and Gowtham Ramkumar (2020) which used to examine how the re-implementation of GST influence consumer spending behaviour. Sample items includes “GST will discourage me from dining in restaurants”

and “I plan to purchase only essential items when GST is re-implemented”. Cronbach’s alpha for consumer purchasing behaviour measurement in this study was 0.927, thereby concluded as good reliability and able to produce a consistent measure.

FINDINGS

This study utilized two software tools: Statistical Package for the Social Sciences (SPSS) version 25 and Smart PLS version 3 to conduct a range of analyses. Specifically, SPSS was employed for preliminary and descriptive analyses, while Smart PLS was utilized to evaluate both the measurement and structural models. The choice of Partial Least Square Structural Equation Modeling (PLS-SEM) was deliberate, as it can effectively manage single-item constructs without identification issues (Hair, Hult, Ringle, Sarstedt, Danks & Rays, 2021). Moreover, PLS-SEM is proficient in maximizing the unexplained variance in the dependent measures, also recognized as explanatory power (R2 values) (Hair et al., 2021).

Preliminary Analysis

As this study adopted a single method in data collection, a common method bias could be arisen which refers as a type of bias specifically in the estimation of constructs’ relationship (Podsakoff & Organ, 1986). Both procedural and statistical remedies can be applied to address this bias issue (MacKenzie & Podsakoff, 2012). For procedural remedy, it can be done through ensuring the questionnaire is well designed, pre-tested and pilot tested before data collection. Whereas for statistical remedy, the Harman’s Single Factor test was pursued using unrotated factor analysis. Based on the analysis, its show that the first factor (31.26%) accounted less than 50 percent of the variance. Thereby, common method bias is not a serious threat in this study.

Descriptive Analysis

Table 2 shows the Mean, Standard Deviation and Inter-Correlations

No. Construct	1	2	3	4	5	6	7
1 Income Level							
2 Education Level	.16**						
3 Occupation	-.24**	-.14**					
4 Complexity	.05	.06	.08				
5 Perception	.11**	.11*	.05	.59**			
6 Awareness	.09*	.07	.06	.63**	.68**		
7 Consumer Spending Behaviour	.02	-.04	.13**	.08	.21**	.34**	
Mean	N/A	N/A	N/A	3.27	3.65	3.47	3.45
Standard Deviation	N/A	N/A	N/A	.77	.85	.67	.93

Measurement Model Analysis

A Partial Least Squares (PLS) algorithm was employed to evaluate and validate the construct model’s validity and reliability (Hair, Hult, Ringle, Sarstedt, Danks & Ray, 2021). Examination of Table 3 revealed that factor loadings for all items exceeded the prescribed minimum threshold of 0.708, except for one item within the consumer spending behavior and four items within the perception construct (Hair, Risher, Sarstedt & Ringle, 2019). Furthermore, the average variance extracted scores for the constructs surpassed the stipulated minimum cut off value of 0.500 (Hair et al., 2019). Assessing composite reliability indicated that the score for each construct surpassed the recommended value of 0.708 (Hair et al., 2021). Consequently, this confirmation validates the model’s convergent validity and reliability.

Whereas for discriminant validity, the Heterotrait-Monotrait (HTMT) criterion test was performed to make certain that the construct is distinct from each other. Hair, Ringle, and Sarstedt (2013) indicated that discriminant validity can be achieved if the HTMT score is below than the usual rule of thumb - $HTMT_{0.85}$ or more conservative rule of thumb - $HTMT_{0.90}$. Table 4 reveals that none of the HTMT score is greater than both rule of thumbs recommended by Henseler, Ringle and Sarstedt (2015), thereby discriminant validity is well confirmed.

Table 3 shows the Result of Convergent Validity

Constructs	Items	Loadings	AVE	CR	CA	
Income Level	Single-Item					
Education Level	Single-Item					
Occupation	Single-Item					
Complexity	CQ2	0.750	0.603	0.913	0.890	
	CQ3	0.632				
	CQ4	0.839				
	CQ5	0.851				
	CQ6	0.821				
	CQ7	0.838				
	CQ8	0.675				
	Perception	PQ1				0.665
PQ2		0.849				
PQ3		0.892				
PQ4		0.834				
Awareness	AQ1	0.782	0.673	0.891	0.838	
	AQ2	0.854				
	AQ3	0.861				
	AQ4	0.780				
Consumer Behaviour	Spending	CSBQ1	0.756	0.700	0.942	0.927
		CSBQ2	0.788			
		CSBQ3	0.879			
		CSBQ4	0.907			
		CSBQ5	0.902			
		CSBQ6	0.891			
		CSBQ7	0.710			

Note. AVE=Average Variance Extracted; CR=Composite Reliability; CA=Cronbach Alpha

Table 4 shows the Heterotrait-Monotrait Criterion

No.	Construct	1	2	3	4	5	6	7
1	Income Level							
2	Education	0.162						
3	Occupation	-0.240	-0.040					
4	Complexity	0.062	0.073	0.081				
5	Perception	0.155	0.115	0.091	0.364			
6	Awareness	0.125	0.118	0.050	0.689	0.685		
7	Consumer Spending Behaviour	0.016	-0.040	0.134	0.047	0.595	0.245	

Structural Model Analysis

To evaluate structural model, the bootstrapping technique with 5000 resamples was applied to test the model and proposed hypotheses. The explanatory power for endogenous constructs: perception ($R^2=0.109$), and consumer

spending behaviour ($R^2=0.306$) are considered moderate as exceeded the moderate threshold value of 0.26, whereas awareness ($R^2=0.377$) explanatory power exceeded 0.35 which is considered large (Cohen, 1988). Table 5 demonstrates that complexity is significantly related to perception ($\beta=0.331$,

$t=5.001, p<0.001$) and awareness ($\beta=0.614, t=13.864, p<0.001$), thereby supporting hypothesis 1 and 2. Similarly, both perception ($\beta=0.599, t=11.394, p<0.001$) and awareness ($\beta=-0.108, t=2.010, p<0.05$) are also significantly related to consumer spending behaviour. Thus, hypotheses 3 and 4 are well supported by the data. Apart from this, all the demographical variables: income level ($\beta=-0.070, t=1.795, p<0.05$), education ($\beta=-0.070, t=1.926, p<0.05$) and occupation ($\beta=0.067, t=1.719, p<0.05$) are also significantly related to consumer spending behaviour.

Table 5 shows the Direct Path Results

H	Path	Beta	Standard Error	t-Statistics	Results	Bootstrapping Confidence Interval	
						5% LL	95% UL
H1	Complexity Perception >	0.331	0.066	5.001**	Supported	0.213	0.434
H2	Complexity Awareness >	0.614	0.044	13.864**	Supported	0.545	0.690
H3	Perception > CSB	0.599	0.053	11.394**	Supported	0.510	0.689
H4	Awareness > CSB	-0.108	0.054	2.010*	Supported	-0.188	-0.014
H5	Income Level > CSB	-0.070	0.039	1.795*	Supported	-0.098	-0.012
H6	Education Level > CSB	-0.070	0.036	1.926*	Supported	-0.126	-0.006
H7	Occupation > CSB	0.067	0.039	1.719*	Supported	0.005	0.134

Note. **=significance at 0.001; *=significance at 0.05; LL=Lower Level; UL=Upper Level; CSB=Consumer Spending Behaviour

Table 6 shows the mediation analysis result. The statistical result shows that only awareness is significantly mediate the relationship between complexity and consumer purchasing behaviour ($\beta=0.182, t=4.576, p<0.001$), whereas perception is not. Thereby, the hypotheses 8 is not supported by data and hypothesis 9 is well supported by the data. Further to this, complexity is not significantly related to consumer purchasing behaviour. Since the direct effect is not significant and indirect effect of awareness on the same direct path is significant, this implicit as a full mediation for hypothesis 9 (Zhao, Lynch & Chen, 2010).

Table 6 shows the Indirect Path Results

H	Path	Beta	Standard Error	t-Statistics	Results	Bootstrapping Confidence Interval	
						5% LL	95% UL
H8	Complexity Perception > CSB	0.101	0.077	1.318	Not Supported	-0.114	0.194
H9	Complexity Awareness > CSB	0.182	0.040	4.576**	Supported	0.111	0.263

Note. **=significance at 0.001; *=significance at 0.05; LL=Lower Level; UL=Upper Level; CSB=Consumer Spending Behaviour

DISCUSSIONS

This study aims to examine the impact of GST rate and its complexity on consumer awareness and consumer perception towards re-implementation of GST. Subsequently, the association between consumer awareness as well as consumer perception and consumer

spending behaviour is investigated. We also study the mediating effect of both consumer awareness and consumer perception on the linkage between GST rate and its complexity and consumer spending behaviour. Our findings indicate that most Malaysians find GST rate and complexity of the tax system as a major determinant for their awareness and

perception towards the re-implementation of GST. Even though majority of the Malaysians recognized the efficiency of GST, they find the GST system complex and difficult to be understood. As the general public assumes GST to be a cumbersome system, thus government's efforts in changing people's viewpoints on the GST system is essential. Our results are consistent with the findings of Jamal, Mustapha, Khairi, and Alwi (2018), Saad (2014) and Tambi, Ibrahim, Yusof, and Tahir (2018) who suggest that the lack of general and technical knowledge on the complicated GST regime itself causes people to perceive the tax system negatively.

Additionally, our results demonstrate that consumer perception towards GST re-introduction has a strong and significant impact on consumer spending behaviour among Malaysians. The general public perceives that the prices of goods and services would increase with the imposition of GST. Despite most respondents agree to the notion that GST increases government tax revenue, they perceive GST as a tax system that could bring about heavy burdens to the people. If GST is re-implemented in Malaysia, many Malaysians plan to be more prudent in their daily spending by purchasing only essential items. As reported by Sharma and Singhvi (2018) and Zabri, Ahmad, and He (2016), consumer perception is a key factor influencing consumer spending patterns. Moreover, a moderate and significant relationship is discovered between consumer awareness towards GST and consumer spending behaviour. As Malaysians are aware that they will need to pay for GST on most goods and services in the future, their spending behaviour changes. Our result is line with some previous studies such as Ansari, Ansari, Ghori, and Kazi (2019) and Siddique and Hossain (2018) who highlight the importance of awareness in affecting personal consumption behaviour. Interestingly, consumer awareness is found mediating the relationship between tax rate and its complexity and consumer spending behaviour, but not consumer

perception. This has proven that consumer awareness towards GST re-implementation is of paramount importance in explaining how Malaysians spend their money on goods and services. The role of consumer awareness as a crucial mediator is supported by Iram, Bilal, and Latif (2021) and Sulaiman, Mat, and Abd Ghani (2018).

When it comes to demographic factors such as occupation, income level and educational level, these variables are discovered to affect consumer spending behaviour moderately and significantly. As mentioned by Borwein (2020) and Mortazavi (2021), professional backgrounds or occupations do affect an individual's spending behaviour. Moreover, the significance of income level and educational level in impacting consumer spending trends are agreed by Greenacre and Akbar (2019) and Soon (2022), respectively. However, our findings are contradictory to Durai and Gayathri (2018) who deny the role of demographic factors on spending behaviour of salaried individuals.

CONCLUSION

In a nutshell, this study is with the aim of investigating the consumer awareness and perception on the re-implementation of goods and services tax in Malaysia. Additionally, the effects of GST on consumer spending behaviour are also scrutinized. The empirical analysis employing SEM-PLS provides insightful findings to the businesses and policymakers on the re-introduction of GST in Malaysia. Our findings have several important theoretical implications. First, the results reveal that the rate of GST and its complexity have a strong and significant impact on both consumer perception and consumer awareness towards the re-implementation of GST in Malaysia. It is worth highlighting that this strand of research is absent from the literature particularly in the contexts of Malaysia. Second, it is important to note that consumer perception towards GST re-

implementation influences consumer spending behaviour strongly and significantly. However, consumer awareness on GST re-implementation is found to have a moderate effect on consumer spending behaviour. This study proves that consumer perception plays a more vital role in influencing consumer spending behaviour than consumer awareness. Based on the literature review, none of the existing studies on Malaysia have examined the relationship between consumer awareness and consumer perception on GST re-implementation and consumer spending behaviour. Third, this study investigates the mediating role of both consumer awareness and consumer perception on the nexus between tax complexity and consumer spending behaviour. Again, no previous studies have ever looked into this strand of research.

Our study also provides several essential practical implications to the policymakers in facilitating their efforts and intention to re-introduce GST system in the near future. In the meantime, policymakers can also make use of the findings of the study in designing appropriate economic and taxation policies that could contribute to increased consumer spending and robust economic growth. The results of our study can also be utilized by companies in relooking into their existing business strategies. First of all, the fact that the complexity of the GST system affects consumer perception and awareness implies that a simplified GST tax system is required in Malaysia. To ensure the successful re-implementation of GST in Malaysia, the government should design and implement an easy-to-understand and efficient GST tax system. Prior to the re-implementation of GST in Malaysia, it is also essential for the government to organize awareness campaigns throughout the country in order to educate individuals and to improve public awareness towards GST. Various communication channels such as mass media, face-to-face explanation and social media can be utilized to increase Malaysians' readiness for the reimplementation of GST. A better understanding on GST mechanism could

help to create a positive perception towards GST among the people. Most importantly, good compliance on the new GST would eventually lead to increased tax collection by the government. As our findings indicate that Malaysians' awareness and perception do affect consumers' spending behaviour, it is crucial therefore for the government to ensure that consumers' consumption is not dampened by people's misperception and misinterpretation on the new GST regime. It is important to note that a decline in the overall household consumption would lead to a sluggish economic performance in the country. Besides information campaigns, various supporting materials such as GST guidebook, pamphlets and exhibitions need to be provided by the government to furnish explanations on GST. These materials should highlight the benefits of GST to the country and individuals if compared to the existing sales and service tax (SST) system. Moreover, it is shown from the study that people from diverse backgrounds with different occupation, income level and education level have varying buying behaviour. Thus, it is critical for business managers to come out with relevant marketing strategies to cater to the needs of different consumer groups. For example, people from different backgrounds might have different sensitivity levels towards prices of goods and services that could influence their buying attitude and behaviour.

Notes

Our study also provides several essential practical implications to the policymakers in facilitating their efforts and intention to re-introduce GST system in the near future. In the meantime, policymakers can also make use of the findings of the study in designing appropriate economic and taxation policies that could contribute to increased consumer spending and robust economic growth. The results of our study can also be utilized by companies in relooking into their existing business strategies.

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