

## CHAPTER 4: RESEARCH METHODOLOGY

### 4.1 Introduction

This chapter will present and discuss the research methods and analysis employed, in greater detail. Several methods are used in order to fulfil the objectives of the research. The objectives of the research paper can be divided into several parts namely:

	<i>Objectives</i>
Part 1	To examine the Malaysian Government's tax revenue contribution particularly from excise duty and import duty from the automotive sector.
Part 2	To analyse the changes in import duty and excise duty for the automotive sector as announced by the Malaysian Government on 31 December 2003 and applicable to ASEAN countries (CEPT).
Part 3	To analyse the market trend of motor vehicles and particularly passenger cars in Malaysia between the year 1999 and 2003.
Part 4	<ul style="list-style-type: none"><li>▪ To analyse the relationship between demography, ownership and method of financing of passenger vehicle in Malaysia;</li><li>▪ To determine consumers' perception on motor vehicle prices due to AFTA implementation; and</li><li>▪ To determine the consumers' awareness of tax legislation as well as the implication of AFTA.</li></ul>

## **4.2 Data Collection Method**

### **4.2.1 Interview**

For Part 1 and Part 2 as described above, primary data were obtained by conducting several interview sessions with senior officers from the Royal Customs Department in Putrajaya. The main rationale of the interviews was to obtain a clear understanding of the indirect tax issues particularly on excise and import duties.

In addition, data obtained from "Estimates of Federal Governments' Revenue" for the years 2000 to 2004 issued by the Treasury of Malaysia will be used to analyse the federal government's revenue and determine the proportion of total revenue generated from the motor vehicle sector i.e. from the import and excise duties principally.

### **4.2.2 Survey**

For Part 4, a survey was conducted to obtain additional information on the consumers' awareness on tax legislation and AFTA implication as well as to analyse the relationships between the respondents' demography, ownership and methods of financing of vehicle purchased.

#### **4.2.2.1 Questionnaire Design**

The survey questionnaires are divided into four (4) parts namely Part A, Part B, Part C and Part D. All questions are in the form of close-end, in which respondents are required to tick the relevant answers as deemed relevant to them. A copy of the survey questionnaire is attached in the Appendix section. Part A requires respondents to indicate their demographic information such as gender, marital status, ethnic group, household annual income, age group, occupation and level of education. The information provided will enable a meaningful analysis of the result obtained.

Part B enquires information regarding the ownership of vehicle. The purpose of Part B is to analyse the type of vehicle owned by respondents and their respective brands. The questions include number of cars owned, whether respondents own a Malaysian-made or foreign made car and their respective car brand. Answers from this part can be used to determine the position of the national cars among the respondents.

Part C consists of information on the method of financing of the vehicles owned. The objective of this section is to determine how the respondent purchased the vehicle i.e. either through cash or credit. A credit financing will further require the respondent to indicate the credit period, down payment made and monthly instalment amount paid. Respondents were also asked whether they find the monthly instalment as a burden as well as their opinion whether the car prices is affordable. This part will enable us to determine the respondents' affordability in owning vehicles as well as whether the cars are reasonably priced.

The final section is Part D which investigates respondents' knowledge on taxes specifically implication of AFTA, import duties, excise duties and sales tax. Respondents' perception on the prices of vehicles due to AFTA is also solicited. The final three questions were related to the awareness of respondents to the new tax legislation effects on the motor vehicle i.e. reduction in import duties, excise duties increment on motor vehicles and its impact on vehicles' prices.

#### ***4.2.2.2 Sampling Design***

The survey population is the Klang Valley executives. This area is selected due to its largest population of vehicle owners in Malaysia. A convenient sampling was exercised, as it is perhaps the best way of getting some basic information quickly and efficiently. Self-Administered-Questionnaires (SAQ) was distributed to 150 potential respondents through friends, relatives and personal contact. Hundred and two (102) questionnaires were returned and thus provide a 68% response rate.

#### **4.2.2.3 Data Analysis Technique**

The returned questionnaires were coded and keyed into Statistical Package for Social Science (SPSS) program for analysis purposes. To test whether the scales utilised were reliable, a reliability test was conducted using Cronbach's Alpha.

Several non-parametric statistical tools were employed such as descriptive analysis (frequency, cross tabulation, measures of central tendency) and chi-square (test for goodness of fit and test for independence or relatedness).

#### **4.2.3 Secondary Data**

For Part 3, data in relation to the vehicles in Malaysia for the period 1999 to 2003 were gathered from the Malaysian Automobile Association (MAA). The data will be used to analyse the market trend of vehicles in Malaysia, particularly the passenger car market.

The secondary data were obtained from journals, magazines, newspapers and the Internet.

### **4.3 Limitations of the Study**

There are several limitations in this study as shown below:

1. Sample is confined to only Klang Valley respondents. Consumers residing outside of this area were excluded from this study due to time constraints and the logistics aspect. Therefore, inferences from the study are only applicable to consumers of the selected area. Samples from other parts of Malaysia may yield a different result due to varied socio-economic status, demography, traffic condition and road conditions. The consumers' awareness on tax legislation and their perception towards AFTA may not be exactly representative for the whole of Malaysia.

However, the findings can be indicative of the whole population in Malaysia due to its largest population of car owners in Malaysia.

2. Questionnaires were distributed through friends, relatives and personal contacts. Even though the response rate is good (68%), it may not be diverse enough to represent the population. Therefore, it is difficult to avoid biasness in this study.
3. The survey is confined to those working executives and therefore the findings may only be suitable to represent this category of consumers.

#### **4.4 Research Analysis**

The analysis of the research paper will be carried out in the following chapters according to the objectives outlined in the beginning of this chapter. The arrangement of the analysis is defined as per the followings:

Chapter 5 will analyse the Malaysian Government's revenue, particularly the indirect taxes. A detailed study will be conducted on the contribution generated from import and excise duties specifically from the motor vehicle sector. Chapter 6 will be examining the new tax legislation on the motor vehicle i.e. the reduction of import duties and the imposition/increment of excise duties.

Chapter 7 will investigate Malaysia's vehicle market trend, with a detailed analysis on the passenger cars segment for the year 1999 to 2003. Finally, Chapter 8 will answer the objectives set out in Part 4 of this research paper. This chapter will further explore the results obtained from the survey conducted in defining the relationship between respondents' demography, ownership of car, methods of financing and knowledge and awareness of AFTA as well as the new tax legislations.