

# Luxury Taxes and Consumer Behavior on Branded Goods: Case Study in Indonesia Market

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## Abstract:

Indonesian government issued PMK (Minister of Finance Regulation) No. 106/PMK.010/2015 to abolish PPnBM types for branded goods. The background of the issuance of this regulation is because of the fast status of goods becoming non-luxurious because they are widely consumed by the public and the government wants to maintain people's purchasing power and encourage domestic industry where several types of goods have been produced domestically. This study aims to determine and analyze the effect of eliminating PPnBM branded goods on consumer behavior in the Surabaya area. The population in this study are people who live in Surabaya and have branded goods. Based on the results of the tests carried out, the elimination of PPnBM on branded goods has an influence on consumer behavior. It can be concluded that the lack of understanding of branded goods consumers regarding the implementation of this abolition makes how they choose, buy, use, or regulate branded goods more influenced by other factors.

*Keywords* — **Branded, Goods, Taxes, Consumer, Behavior.**

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## I. INTRODUCTION

Based on the laws in force in Indonesia, Sales Tax on Luxury Goods (PPnBM) is a tax imposed on goods classified as luxury carried out by producers (entrepreneurs) to produce or import these goods in their business activities or work. PPnBM has undergone many revisions from the Minister of Finance to improve and follow economic developments in Indonesia. In July 2015 the Minister of Finance issued PMK (Minister of Finance Regulation) number 106/PMK.010/2015 to abolish PPnBM types for branded goods. The background of the issuance of this Minister of Finance regulation is because of the fast status of goods becoming non-luxurious because they are widely consumed by the public and the government wants to maintain people's purchasing power and encourage domestic industry where several types of goods have been produced domestically. The government in this case wants to suppress the tendency of people to buy these goods abroad. According to Hasan (2010), consumer behavior is

the study of the processes involved when individuals or groups select, buy, use, or organize products, services, ideas or experiences to satisfy consumer needs and wants. This abolition has an impact on Indonesian society today, especially for branded goods consumers. There are several factors that influence consumer behavior, namely, individual factors, economic factors, social factors, and cultural factors. Therefore, the background of this study is to determine the effect of eliminating PPnBM on branded goods on consumer behavior.

Based on the above background, the formulation of the problem is whether the abolition of PPnBM on branded goods has an effect on consumer behavior.

This study aims to determine and analyze the effect of eliminating PPnBM branded goods on consumer behavior in the Surabaya area. The benefits of this research are as follows:

1) *For future researchers:* So that future researchers can use this research as their next research material and provide reference information and insight for those who will research on the elimination of PPnBM on branded goods.

2) **For the community:** This research can serve as a general description and their knowledge about the elimination of PPnBM on branded goods.

3) **For the government:** With this research, the government can see that the elimination of PPnBM can affect people's behavior towards branded goods.

## **II. RESEARCH METHOD**

### **A. Type of Data**

In this study, the type of data used based on its nature is quantitative data. The quantitative data in question is data in the form of numbers obtained from the results of the questionnaire and analyzed to determine the effect of the abolition of PPnBM.

### **B. Population and Sample**

According to Margono (2004) population is all data that is the center of attention of a researcher within a predetermined scope & time. Population related to the data. If every human being provides data, then the size or number of the population will be equal to the number of humans. The population in this study are people who live in Surabaya and have branded goods.

The sample according to Sugiyono (2010) is part of the number and characteristics possessed by the population. This study uses a sampling technique, namely Nonprobability sampling. Non-probability sampling is a sampling technique that does not provide equal opportunities/opportunities for each element (member) of the population to be selected as sample members (Sugiyono, 2011). Meanwhile, the type of non-probability sampling used in this research is purposive sampling. Purposive sampling according to Sugiyono (2010) is a sampling technique with certain considerations. Where the consideration of selecting the research sample is people with fixed income who use branded goods. In terms of the number of respondents, Nunnally (1970) quoted by Alwi (2012) stated that the size of the respondents in the trial was ten times from the number of items in the measuring instrument. The statement items in the measuring instrument of this study are 20 items, so  $10 \times 20 = 200$  respondents.

### **C. Variables**

According to Sugiyono (2010), a variable is something in the form of anything that is determined by the researcher to be studied so that information is obtained about it, then conclusions are drawn. Meanwhile, Naarimawati (2011) explains that the operational definition is the determination of the construct so that it becomes a variable that can be measured. Operational variables are needed in determining the types, indicators, and scales of the variables involved in the research, so that hypothesis testing with statistical tools can be carried out correctly. The variables used in this research are independent variables and dependent variables.

According to Sugiyono (2010), the independent variable is a variable that affects or is the cause of changes or the emergence of the dependent variable (dependent). In other words, the independent variable is a variable that is measured, manipulated, or chosen by the researcher to determine the relationship with an observed symptom. The independent variable studied in this study was the abolition of PPnBM. The abolition of PPnBM is regulated in PMK (Minister of Finance Regulation) number 106/PMK.010/2015 issued in July 2015 by the Minister of Finance. The background to the issuance of this Minister of Finance regulation is because of the fast status of goods becoming non-luxurious because they are widely consumed by the public and the government wants to maintain people's purchasing power and encourage domestic industry where several types of goods have been produced domestically. The indicators of this variable is knowledge. According to Natoatmodjo quoted by Sunaryo (2004), knowledge is the result of knowing from humans and this occurs after people have sensed a certain object. General knowledge itself is how far someone knows and understands something through the learning process. In this study, what is meant is the general knowledge of respondents regarding the elimination of PPnBM on branded goods.

The dependent variable according to Sugiyono (2010) is the variable that is influenced or the result, because of the independent variable. In this case the dependent variable is consumer behavior. According to Hasan (2013), consumer behavior is

the study of the processes involved when individuals or groups select, buy, use, or organize products, services, ideas or experiences to satisfy consumer needs and desires. As stated by Gilarso (2003), there are several factors that influence consumer behavior, namely:

1) Individual Factors

Personal factors are defined as psychological characteristics of a person that are different from others that cause relatively consistent and enduring responses to the environment. Buying decisions are also influenced by personal characteristics. Where everyone has their own interests, motivations and tastes, even consumption patterns may also be influenced by emotional factors. But there are also objective factors such as age and environment that influence not only what is consumed, but also how much, the models, and so on.

1) **Economic Factors:** This factor is related to the current economic situation, in this case the price of goods and personal income. The level of income and the price level affect the amount of consumption carried out. In general, the higher a person's income level, the more goods and services one can consume.

2) **Social Factors:** This factor is related to a person's adjustment to his social environment, where this is influenced by family and social groups, the role and social status of consumers. These things can affect a person's lifestyle, so the choice of products and brands that will be chosen will suit their lifestyle.

3) **Cultural Factors:** Culture is the most basic determinant of desire and behavior to obtain values, perceptions, preferences and behaviors from other important institutions. Cultural factors have the broadest and deepest influence on consumer behavior.

### III. RESULT AND DISCUSSION

#### A. Descriptive Statistical Results

Descriptive statistics from respondents' answers related to the abolition of PPnBM aspects on Branded Goods include the minimum value, maximum value and average value. Table 4.9 shows the results of descriptive statistics related to the elimination of PPnBM on Branded Goods.

TABLE I  
DESCRIPTIVE STATISTICAL RESULTS

No	Descriptive Statistical Results			
	Item	N	Average	Category
1	PPnBM Elimination on Branded Goods	200	3,25	Medium
2	Individual Factors	200	3,485	High
3	Social Factors	200	3,0475	Medium
4	Economic Factors	200	3,2713	Medium
5	Cultural Factors	200	2,9365	Medium

Based on the table above, the minimum value for all statements is one (very low), and the maximum value is five (very high). Meanwhile, the average of PPnBM elimination aspects is 3.25 with medium category or tends to be high. This shows that respondents' responses to the abolition of PPnBM on branded goods are moderate. It can be seen that the average response of respondents to statements asking respondents' knowledge of the implementation of PPnBM is 2.96 or moderate, even tends to be low. Meanwhile, the average respondent's response to the need to apply PPnBM is quite high with a figure of 3.65. For the last statement, it can be seen from the average response of respondents regarding the criteria for branded goods of 3.14 or moderate, so that on average the goods they buy are still classified as branded goods that are subject to the abolition of PPnBM.

Descriptive statistics from respondents' answers related to consumer behavior include the minimum value, maximum value and average value. Table 4.10 shows the results of descriptive statistics related to consumer behavior.

Based on the table above, the minimum value for all statements is one (very low), and the maximum value is five (very high). The average respondent's response to individual factors or related to emotional, motivation, age to taste is 3,485 or in the high category, which according to respondents, the abolition of PPnBM on branded goods is quite high affecting them. The average respondent's response to social or lifestyle factors with the abolition of PPnBM on branded goods is 3.0475 or in the medium category. Meanwhile, the average respondent's response to economic factors that include price and income with the abolition of PPnBM is 3.2713 or moderate, even tends to be high. Finally, the average respondent's response to

cultural factors is 2,9365 or moderate, even tends to be low.

#### **B. t test Result**

The t-test was used to determine whether the independent variable had a significant effect on the dependent variable. To draw conclusions from the hypothesis and to strengthen in analyzing the data, the research uses hypothesis testing using SPSS, where the regression coefficient is significant if  $T \text{ count} > t \text{ table}$  (critical value).

The results of the t-test for the variable of PPnBM abolition on branded goods obtained a t-count value of 8.619 with a significance level of 0.000. By using a significance value limit of 0.05, the t table is 1.972017. This means that  $t \text{ count} > t \text{ table}$ , which means reject  $H_0$ . Thus the research hypothesis in this study can be accepted. The regression coefficient has a positive direction which means that the elimination of PPnBM on branded goods has a positive influence on consumer behavior. In other words, it can be concluded that if PPnBM is abolished, it will affect the behavior of consumers who buy branded goods.

#### **C. Discussions**

This study aims to examine the effect of eliminating PPnBM on branded goods on consumer behavior or how individuals or groups choose, buy, use, or regulate products which in this case are branded goods. Based on descriptive statistical data related to the abolition of PPnBM on branded goods, it shows that the average response of respondents to statements asking respondents' knowledge of the application of PPnBM is 2.96 or moderate, even tends to be low. This shows that in fact the average respondent or consumer of branded goods does not really understand the implementation of the abolition of PPnBM, even though it can be seen from the average response of respondents regarding the criteria for branded goods of 3.14 or moderate, that the goods they buy are still classified as branded goods affected by PPnBM abolition.

Based on descriptive statistical data related to consumer behavior, it can be seen that the average response of respondents regarding individual factors related to emotional, motivation, to taste is

quite high, namely 3,485 or in other words respondents feel that the abolition of PPnBM on branded goods is enough to affect them, such as emotions, motivation, to taste. Respondents also felt the same thing for economic factors related to prices and income, which were based on their average response of 3.2713. This shows that with the abolition of PPnBM, they are quite helped in terms of the economy. Meanwhile, the average respondents' responses to social and cultural factors are moderate, or tend to be low.

Meanwhile, the t-test results show that the variable of PPnBM abolition on branded goods does have a positive influence on consumer behavior. More clearly seen in the table in the test results the coefficient of determination ( $R^2$ ) shows the number 0.273, which means that the abolition of PPnBM on branded goods affects consumer behavior by 27.3%. As the test results, it can be said that the elimination of PPnBM does have an influence on consumer behavior, or in this case how individuals or groups choose, buy, use, or arrange products, services, ideas or experiences to satisfy consumer needs and desires. Although through this research it can be concluded that the effect of eliminating PPnBM on branded goods is only 27.3% while 72.7% is influenced by other factors outside the study. The portion of the effect of the elimination of PPnBM on branded goods on consumer behavior can be understood if you look back at the results of the descriptive statistics of the elimination of PPnBM on branded goods which show that respondents or branded goods consumers themselves still do not really understand the implementation of the abolition of PPnBM on the branded goods they buy. According to the researcher, the lack of understanding of branded goods consumers towards the implementation of this abolition makes how they choose, buy, use, or manage branded goods more influenced by other factors.

#### **IV. CONCLUSIONS**

Based on the results of data processing, it shows that respondents or branded goods consumers tend to be unaware of the implementation of PPnBM abolition, even though the average responses of

respondents or branded goods consumers indicate that the goods they buy are still classified as branded goods affected by the abolition of PPnBM. Consumers of branded goods also show that the abolition of PPnBM has had a significant impact on their emotions, motivations, tastes as well as prices and incomes in buying branded goods.

Meanwhile, based on the results of the tests carried out, the elimination of PPnBM on branded goods has an influence on consumer behavior, although the effect is only 27.3% while the rest is influenced by other factors. The portion of the effect of the elimination of PPnBM on branded goods on consumer behavior can be understood if you look back at the results of the descriptive statistics of the elimination of PPnBM on branded goods which show that respondents or branded goods consumers themselves still do not really understand the implementation of the abolition of

PPnBM on the branded goods they buy. So it can be concluded that the lack of understanding of branded goods consumers regarding the implementation of this abolition makes how they choose, buy, use, or regulate branded goods more influenced by other factors.

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