

# Exploring the Relationship Between Value-Added Tax Awareness and Consumer Purchasing Decisions in Digos City

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**Abstract** – This study examines VAT awareness among consumers in Digos City and its impact on purchasing decisions, particularly on pricing and product information. A quantitative design was employed using surveys as research instrument and statistical tools such as ANOVA, regression, and Pearson's correlation, with respondents categorized by gender, generation, education, and income. Results show that consumers are generally aware of VAT, including how it is imposed, its effect on pricing, and which products or services are subject to it. This awareness has led them to make informed decisions, choosing between alternatives and deciding on the best products or services before purchasing. Findings also reveal that consumers with higher education and income demonstrate greater VAT awareness, leading to better purchasing decisions compared to those with lower education and income. The study recommends strengthening tax literacy programs and promoting pricing transparency to help consumers, especially those with limited education and income, make more informed choices.

**Keywords:** VAT Awareness, Purchasing Decisions, Demographic Factors

## I. INTRODUCTION

Numerous receipts come into our hands with each of our purchases, whether it is shopping for groceries or dining out at restaurants. While the receipt shows us the total bill, the line stating 12% Value-added Tax (VAT) is often overlooked. VAT is one of the common taxes applied to a wide range of goods and services, including everyday necessities such as groceries and restaurant meals (Korkmaz & Korkmaz, 2023). VAT is an indirect business tax, which means the responsibility to pay it can be passed on, ultimately placing the burden on others (Metcalf, 2008). And since the liability is passed on to consumers, they are disadvantaged paying it on top of the actual price of the products or services they purchase (Metekohy, 2015).

Previous studies and existing literature have focused on other perspectives, showing both a literary and geographical gap. Wadesango and Chirebvu (2020) studied how VAT affects small and medium businesses in a developing country in the Middle East. Their study examined the sellers and how they are affected but did not include the consumers, who are more disadvantaged in this setup. Similarly, Kubjatkova et al. (2021) studied the effect of VAT on business pricing strategies, focusing on the sellers and its impact on their businesses rather than the purchasing decisions of consumers.

These studies were written from a business point of view rather than from the consumer's and were conducted in the Middle East and other parts of Asia, where tax rules and VAT practices are different.

This research study aims to investigate the relationship between VAT awareness and consumer purchasing decisions. This study is important not only to assess how awareness impact decision-making but also to guide businesses in developing fair pricing strategies. More importantly, it calls on policymakers to strengthen VAT education, especially for those with limited access to financial knowledge, since tax awareness directly affects daily purchasing choices.

## II. LITERATURE REVIEW

Taxes are the lifeblood of the government, and the Value-Added Tax (VAT) is one of its significant sources of income. It helps fund important services like roads, schools, and hospitals (Basnukaev, 2019). However, VAT is considered unfair to low-income households because it affects them more, as they spend most of their earnings on basic needs and consumption (Alavuotunki & Pirttilä, 2015). This tension between its benefits to the state and its burden on citizens makes VAT awareness important for consumers.

**Value-Added Tax.** Taxes are primarily levied to raise revenue for public purposes and are imposed on individuals and entities. Businesses are among the entities subject to taxation, one of which is through VAT. VAT is a tax levied on consumption goods, imposed on the seller but functioning as an indirect tax. While it significantly contributes to the government, the burden of paying the tax is shifted to consumers, especially low-income earners, putting them at a disadvantage (Alavuotunki & Pirttilä, 2015).

**Value-Added Tax Awareness.** Studies show a gap between taxation and consumer awareness. Malicdem et al. (2023) found that many Filipinos think they are exempt from taxes since they do not pay income tax, overlooking the VAT they pay on purchases. This supports Kubjatkova et al. (2021), who noted that poor VAT knowledge leads to uninformed spending because consumers do not consider how VAT raises prices. On the other hand, Amin et al. (2022) and Alshirah et al. (2022) found that education and income improve tax awareness. Educated individuals are more exposed to tax programs as tax education may be included in the curriculum and tax literacy programs are widespread in colleges in universities, while higher-income earners learn VAT through wider tax obligations as they file their returns or pay taxes exposed on privileges. These findings show that demographic factors affect VAT awareness and influence how it shapes consumer behavior, directly supporting the hypotheses on demographic differences.

**VAT and Purchasing Decisions.** Research also shows that VAT influences how people make choices. Kiboro et al. (2022) emphasized that family and community norms shape spending habits, while Akdogan (2021) identified price as the most decisive factor in purchasing decision. Zhao et al. (2021) added that clear product information, including VAT details, helps consumers make better decisions. Similarly, Fathur et al. (2020) explained that VAT awareness helps consumers compare alternatives and choose wisely. These studies suggest that awareness improves decision quality, and that VAT awareness influences purchasing behavior.

**Impact of VAT Awareness.** Findings from other countries confirm this relationship. Wasim

and Alzoubi (2019) showed that VAT directly changes consumer spending in the UAE, while Hammour and John (2022) found that consumers with VAT knowledge manage their budgets more carefully. AlGhunaimi et al. (2024) further showed that low-income households are the most affected by VAT-driven price increases, often changing their consumption significantly. These findings strengthen the argument that VAT awareness affects purchasing decisions differently across demographic groups, supporting the study's hypotheses on awareness, behavior, and demographics as a moderating factor.

Overall, research shows that while VAT supports government services, it also places a heavier burden on consumers especially those who earn less. Demographic factors such as education and income affects the level of VAT awareness, which in turn affects how consumers respond to price increases. Awareness helps consumers make informed decisions, while lack of awareness leads to poor spending choices. By comparing these findings, it is clear that demographics affect VAT awareness, VAT awareness shapes purchasing decision.

## THEORETICAL FRAMEWORK

This study is based on the Theory of Planned Behavior (TPB) by Ajzen (1991) and the Engel-Kollat-Blackwell (EKB) Model by Engel et al. (1978). TPB states that attitudes, subjective norms, and perceived behavioral control shape behavior. In this study, attitudes reflect beliefs about how VAT awareness affects purchasing, subjective norms involve the influence of demographics such as society, education, and income, and perceived control refers to confidence in applying VAT knowledge. These ideas explain how VAT awareness may influence purchasing decisions, how demographics may cause differences, and how they may moderate the relationship between awareness and decisions. The EKB model supports this by showing that VAT awareness can affect all stages of decision-making such as recognizing prices, searching for information, evaluating options, deciding to buy, and reflecting after purchase. Together, these theories provide the basis for testing the relationship between VAT awareness and consumer purchasing behavior.

## III. MATERIALS AND METHODS

This study aims to explore the relationship between VAT awareness and purchasing decisions and to identify which demographic factors, such as Gender, generation, educational attainment, and cumulative income, influence these variables. This section further explains the methods used, which serves as a roadmap for the entire study, outlining the methods and procedures that guide its direction.

**Research Design:** This study employed a quantitative research approach with a descriptive-correlational research design. A quantitative research design analyzes numerical data to understand relationships between variables (Apuke, 2017). This method aligns with the research objective, which is to explore the relationship between VAT awareness and purchasing decisions and to determine which demographic factors influence each of the variables.

**Participants/Data Sources:** The study was conducted in Digos City, Davao del Sur, Philippines. As the population size is unknown, the standard sample size for an unknown population, often set at 384 for a 95% confidence level and a 5% margin of error, was used as a reference (Memon et al., 2020). However, the study involved 457 respondents, which exceeded the minimum required sample size and ensured better representation.

**Tools and Instruments:** The instrument used in this research study was an adapted questionnaire from existing literature (Al-Hadrami & Almoosa, 2019; Zhao et al., 2021; Sapkota, 2021). The questionnaire was divided into four parts: the first part contained the preliminaries, including demographics; the second part included 8 questions to assess the level of VAT awareness; the third part consisted of 8 questions evaluating the quality of purchasing decisions in terms of pricing; and the last part contained 9 questions assessing purchasing decisions in terms of product information. To quantify the responses, a 5-point Likert scale was used, ranging from "not aware" to "fully aware" and from "strongly disagree" to "strongly agree" for the statements provided. The research advisor checked the instrument and validated it through experienced research validators in South Philippine Adventist College for corrections and recommendations to ensure the research instrument was relevant and would answer the research questions.

**Procedures:** The study was done by giving questionnaires to respondents chosen through random sampling, where participants were selected at random from the target population to give everyone an equal chance of being included. Before giving out the survey form the respondents were informed about the purpose of the study and gave their consent. Their answers were kept confidential and used only for academic purposes. After collecting the answered forms, the data was tallied and entered into statistical software for analysis. A statistician helped check the methods and process the data. The results were then interpreted, presented, and used to create conclusions and recommendations.

**Analysis Techniques:** The study employed various statistical tools to achieve its research objectives. The statistical tools employed are mean, ANOVA, Pearson's correlation, and Multiple Regression. The mean is used to average responses and showing the overall level of VAT awareness among consumers. ANOVA is used in order to compare the demographics such as gender, age, or income to identify significant differences. Pearson's correlation is used to measure the strength and direction of the relationship between VAT awareness and purchasing decisions. Lastly, multiple regression is used for analyzing how not just one factor but several factors together influence consumer decisions, providing a more reliable understanding of their behavior.

#### IV. RESULTS AND DISCUSSION

This study examines the relationship between VAT awareness and purchasing decisions among consumers in Digos City, considering demographic factors such as gender, generation, educational attainment, and cumulative income. The research aims to understand how VAT awareness influences consumer behavior, particularly in terms of pricing and product information.

The study surveyed 457 respondents, comprising 60% females and 40% males. The generational distribution consisted of 20% Generation Z, 54% Millennials, and 26% older generations. Educational attainment was categorized into Lower (51%) and Higher (49%), while cumulative income was divided into Low (50%), Middle (30%), and Upper (20%) income groups.

The study found that VAT awareness among respondents was moderate, with an overall mean score of 3.59. Respondents were aware of VAT calculations, its inclusion in retail prices,

and its effect on pricing strategies. However, knowledge was lower when it came to understanding who ultimately bears the VAT burden.

This means consumers see VAT mainly as an extra cost rather than part of the broader economic system. Many are unaware of how VAT is shared between businesses and consumers. This gap highlights the need for awareness campaigns that explain VAT's flow and its effect on household budgets (Oladipupo & Izedonmi, 2013). Higher education also improves awareness, since it builds financial literacy and critical thinking (Mergesa, 2022). For instance, college students or graduates are often exposed to seminars, lectures, or modules in economics and taxation, which give them a clearer understanding of how VAT works. Likewise, individuals with higher income are more likely to engage in larger transactions, such as property, vehicles, or business-related purchases where VAT charges are more visible and formally explained, which makes them more conscious of its role in pricing and consumer costs.

Purchasing decisions related to pricing were rated "Very Good," with a mean score of 4.05. Consumers compared prices, considered overall value, and often bought in bulk to maximize savings. Females were more careful in price evaluation, while males tended to buy in bulk. Younger generations (Gen Z and Millennials) showed stronger decision-making compared to older groups.

These results show that consumers in Digos City are rational and price-sensitive, seeking value for money. Females scored higher in pricing decisions, reflecting their detailed evaluation, while younger consumers performed better due to their use of online tools like price comparison sites and apps. Older groups, meanwhile, may rely more on habit in purchasing (Levine, 2024).

Purchasing decisions in terms of product information were rated "Very Good," with a mean score of 4.51. Consumers prioritized clear and informative packaging, accurate product details, and reliable reviews. Younger generations were more attentive to product details compared to older groups.

This shows that consumers value transparency and rely on detailed product information when making choices. Younger buyers may demand more packaging clarity and product descriptions because of their exposure to online shopping and product reviews, while older buyers often depend on familiar brands (Levine, 2024).

The study found no significant gender differences in VAT awareness, but females demonstrated higher purchasing quality. Educational attainment and income were significantly linked to both VAT awareness and purchasing behavior. Generational differences were not statistically significant.

These findings indicate that gender and generation do not strongly affect VAT awareness, but education and income do. Education enhances awareness by developing critical thinking and financial literacy, while higher education also exposes people to taxation topics

(Geyik et al., 2023). Income matters because higher-income groups engage in larger or business-related purchases where VAT is more visible (Dewi, 2022). Lower-income groups focus more on affordability, which limits their awareness. Females showed better purchasing evaluation, consistent with research that women often analyze alternatives more carefully (Tevšić & Nanić, 2020).

Table 1. A significant difference in VAT awareness and purchasing decisions considering Gender

		Levene's Test for Equality of Variances		t-test for Equality of Means		Sig. (2-tailed)
		F	Sig.	t	df	
VAT Awareness Overall Mean	Equal variances assumed	.529	.467	-.736	455	.462
	Equal variances are not assumed.			-.746	404.727	.456
Purchasing Decision Overall Mean	Equal variances assumed	.336	.562	-	3.617 <sup>455</sup>	.000
	Equal variances are not assumed.			-	3.599 <sup>381.376</sup>	.000
Pricing Overall Mean	Equal variances assumed	1.015	.314	-	4.046 <sup>455</sup>	.000
	Equal variances are not assumed.			-	4.020 <sup>378.788</sup>	.000
Product Information Overall Mean	Equal variances assumed	.281	.597	-	2.819 <sup>455</sup>	.005
	Equal variances are not assumed.			-	2.773 <sup>365.590</sup>	.006

The study found a significant positive relationship between VAT awareness and purchasing decisions. VAT awareness explained 32.5% of consumer behavior, with 24.8% influence on pricing and 31.3% on product information. Demographic factors such as gender, generation, education, and income did not moderate this relationship.

These findings confirm that VAT awareness strongly predicts consumer behavior across all demographic groups. Consumers who understand VAT are more deliberate in price evaluation and product choice (Wasim & Alzoubi, 2019). Since demographics did not weaken the relationship, VAT awareness has a consistent effect on purchasing. This suggests the importance of tax education for less-educated and lower-income groups, ensuring more rational and informed decision-making (Caesaria et al., 2024).

Table 2.. A significant relationship between VAT awareness and purchasing decision

<b>Correlations</b>				
	VAT Awareness Overall Mean	Purchasing Decision Overall Mean	Pricing Overall Mean	Product Information Overall Mean

VAT Awareness Overall Mean	Pearson Correlation	1	.570**	.498**	.559**
	Sig. (2-tailed)		.000	.000	.000
Purchasing Decision Overall Mean	Pearson Correlation	.570**	1	.918**	.945**
	Sig. (2-tailed)	.000		.000	.000
Pricing Overall Mean	Pearson Correlation	.498**	.918**	1	.739**
	Sig. (2-tailed)	.000	.000		.000
Product Information Overall Mean	Pearson Correlation	.559**	.945**	.739**	1
	Sig. (2-tailed)	.000	.000	.000	

The results show that VAT awareness significantly shapes purchasing decisions in Digos City, particularly in pricing and product information. Education and income improve awareness, while gender and generation play smaller roles. Since VAT awareness consistently influences consumer decisions, targeted tax education campaigns should be developed to raise awareness among less-educated and lower-income consumers, helping them make smarter and more informed choices. This can be done through community seminars in barangays, simple infographics on social media and local radio, and clearer VAT labels on receipts and store shelves. Schools can also add basic tax lessons to improve long-term awareness. These practical steps can help consumers better understand VAT and make wiser purchasing decisions

## V. CONCLUSION

This study examined the relationship between VAT awareness and purchasing decisions among consumers in Digos City. Results showed that consumers have a moderately high level of VAT awareness, which significantly influences their purchasing behavior, particularly in terms of pricing and product information. Demographic factors such as gender, education, and income were found to have a significant effect, while generational differences did not.

However, the study is limited by its location and sample, which may not fully represent other regions in the Philippines. The opinion of the respondents may also be subjective due to personal biases. The research design provided only a general view of consumer behavior rather than in-depth insights and specific answers.

Despite these limitations, the findings highlight the importance of tax literacy in shaping informed purchasing decisions. To address this, tax agencies should implement community-level VAT education campaigns and integrate tax literacy into local schools and training programs especially in the lower level of education. Business owners are encouraged to ensure price transparency and adopt fair pricing strategies, while policymakers should strengthen efforts to reach low-income and less-educated groups through accessible information drives.

For future research, studies could delve into more depth insight through qualitative research design, to address which factors mostly impact their lack of awareness and fair level of purchasing decision. Studies could also do a comparative assessment to consumers in rural or urban areas. And to test the

effectiveness of VAT awareness interventions, or broaden the scope to other regions to capture a more representative of Filipino consumers.

#### AUTHORS' CONTRIBUTIONS

R.K. Alcantara was primarily responsible for the overall conceptualization and design of the study, development of the research instrument, data collection, data analysis, and preparation of the initial manuscript draft. R. Banay provided critical guidance and oversight throughout the research process, including the review and validation of the research tool, methodological advice, interpretation of findings, and substantial revisions of the manuscript for intellectual content and clarity. Both authors have made significant academic contributions, read and approved the final version of this paper, and agree to be accountable for all aspects of the work.

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