RESEARCH REPORT

A Qualitative Cross-Sectional Study Describing the Challenges of Value-Added Tax as Perceived by Low Economic Group Consumers in Durban, Kwa-Zulu Natal

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I hereby declare that the Research Report submitted for the IIE Bachelor Of Commerce Honours in Management degree to The Independent Institute of Education is my own work and has not previously been submitted to another University or Higher Education Institution for degree purposes.

Abstract

This qualitative research study aimed to describe the challenges faced by lower economic group consumers. These challenges arise due to the payment of VAT on most products. Value-added tax is an indirect tax that is charged on certain goods and services. Due to the current VAT rate, retail businesses are struggling to keep its loyal consumers and attract new shoppers. In addition, this study aimed to identify ways retail store can retain its consumers.

The researcher used the Consumer Decision-Making Process theory to determine the purchasing decisions of lower economic group consumers. This theory will inform businesses on the consumer decisions so marking and pricing tactics can be adjusted accordingly. This research report was based on an interpretivism paradigm of research. Face-to-face interviews were used as the data collection tool. The data was analysed using a qualitative content analysis method.

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1. Introduction

In South Africa, lower economic group households are faced with the challenge of trying to satisfy their basic needs. According to Pedersen (2018) basic needs for these families are made up of: food, shelter, utilities and sometimes medical care. Private medical care is often too expensive for low-income families in South Africa. It is also important to note that these basic needs are important for survival.

Furthermore, businesses in South Africa have a challenge retaining consumers due to VAT. Eastaugh and Olakiigbe (2019) state that the recent VAT increase caused pressure on businesses to remain competitive. These businesses had to increase prices to accommodate the new VAT rate and still be able to make a profit.

Value-added tax has proved to be a burden to many households. Apart from spending most of their disposable income on VAT and other indirect taxes, households also have to pay transport costs, utility bills and other costs to maintain their standard of living (Dangor, 2018).

The researcher has taken interest in this topic as these household's deal with many challenges caused by VAT on a daily basis. With this research study, the researcher aimed to add to the existing body of knowledge regarding VAT, the challenges faced by lower economic group consumers and how businesses can retain consumers.

This study was focused on the challenges faced by lower economic group caused by VAT. Therefore, it was not necessary to examine the impact on the higher economic group households in South Africa.

1.1. Rational and Relevance

The researcher has taken interest in this topic because many businesses fail when a consumers' buying power is limited. Furthermore, there are many families living below the poverty line and still face the high charges of VAT (Stats SA, 2019). Although, the government provides monthly grants it is not enough to buy nutritionally complete food baskets for a family due to the VAT rate.

This study was significant because VAT is an ongoing burden to lower economic group households. A solution was important to help those affected. With this study, the researcher aimed to contribute towards a solution. This topic was relevant to the researcher's field of study as it involves the financial aspects

1.2. <u>Problem Statement</u>

Many retail stores are challenged by retaining loyal customers. Peters (2020) explains that 87% of shoppers are not brand loyal. The current value-added tax on items might be the reason consumers shop at multiple stores. Lower economic groups cannot afford to purchase goods that are priced high due to VAT. Therefore, customers will be attracted to stores that cater for low economic groups by offering lower prices. Furthermore, lower economic groups face other challenges caused by VAT.

According to Ebrahim (2018) lower economic groups spend up to 14% of their disposable income on value-added tax and other indirect taxes, such as excise duty. South Africa has an unequal society and the VAT increase in 2018 caused a negative impact on these groups.

Although the VAT Act of 1991 states that some basic food items that are zero-rated. There are other costs the include VAT. For example, these households are required to pay value-added tax on the utilities used to cook the items that are zero-rated (Ebrahim,2018).

In South Africa, VAT is known to be very regressive and lower economic groups are suffering (Ebrahim,2018). As a result of this, businesses are unable to retain customers. Businesses are forced to change its marketing and pricing tactics. This topic requires urgent attention as over 42.9% of South Africans live in poverty (StatsSA, 2019). This study will contribute to the existing body of knowledge regarding the challenges of value-added tax and it aims to assist businesses in understand the purchasing decisions of lower economic groups.

1.3. Research Purpose

This study aimed to understand the challenges faced by lower economic group consumers in terms of value-added tax. This study will inform businesses how to adjust pricing strategies according to the purchasing decision-making process of these economic groups.

The researcher used the five stages of the consumer buying or decision-making process model that was created by John Dewey. This model was used to examine the purchasing decision-making process of lower economic group consumers. These decisions aimed to help businesses understand these purchasing decisions and will suggest ways that businesses can adjust prices to accommodate the VAT rate on certain items.

The researcher collected the necessary information by a using a qualitative data collection tool. The tool was face-to-face interviews containing of open-ended questions. The interviews were conducted with participants that met the characteristics of the population. The data that was received was coded using the qualitative content analysis method.

1.4. Research Questions

1.4.1. Primary Question

What are the challenges of VAT that affect low economic group consumers?

1.4.2. Secondary Questions

How do retail stores retain lower economic group consumers?

How do lower economic group consumers decide where to purchase from?

1.5. <u>Research Objectives</u>

1.5.1. <u>Primary Objectives</u>

To discover the challenges of VAT that affect lower economic group consumers.

1.5.2. <u>Secondary Objectives</u>

To identify how retail stores, retain lower economic group consumers.

To determine how lower economic group customers, decide on where to shop.

2. <u>Literature Review</u>

This section includes the relevant theoretical foundation that was used to address this research topic. The researcher has chosen the Consumer Decision-Making Process theory to help assess the buying decision of lower economic group consumers in South Africa. Furthermore, this study aimed to suggest ways that business can adjust prices in order to retain these consumers.

The researcher examined information from previous and relevant literature. This literature was discussed under the themes chosen by the researcher. Lastly, key words from the theoretical framework and literature review will be conceptualised. The words included: Disposable income, tax, substitute products, South African Revenue Service and indirect taxes.

2.1. <u>Conceptualisation</u>

2.1.1. <u>Disposable Income</u>

All individuals in the working world have to understand the concept of disposable income. Cautero and Kindness (2020) explain that disposable income is the remaining portion of an individual's salary that is left after all taxes are paid. This is also referred to as "net pay". Disposable income is a high contributing factor to the economy. Customer spending behaviour and demand for products rely on the amount of disposable income a person has (Cautero & Kindness, 2020).

Bossart (2019) adds that individuals use disposable income to draw budgets and determine how to contribute to a retirement plan. A country also uses these statistics to determine how the economy is performing compared to others.

This concept is important as an individual needs to have some form of income in order to be affected by VAT. The income can be in the form of a government grant or basic salary from a company. The lower a person's disposable income, the higher the VAT burden.

2.1.2. <u>Tax</u>

Barik (2020) explains that tax is a compulsory payment made by all residents of a country. It is a charge or burden that is placed on individuals or on properties for the support of a government. Tax is seen as revenue for the government (Barik, 2020).

According to SARS (2020c) in South Africa, the government cannot function without the revenue from taxes. The Government uses the revenue from taxes to fund social and services. South Africans pay tax in many forms, such as income tax, VAT, corporate income tax, donations tax and capital gains tax (SARS, 2020c).

Tax is relevant to this research study as low-income households are burdened with taxes. The researcher believes that even though these households' benefit from the public goods and services offered by the government, the level of tax paid by low-income households are too high

2.1.3. <u>Substitute Products</u>

According to Kenton (2019) a substitute product is the same or similar to another product. The products are similar enough to be used for the same function. Substitutes have an important role in the marketplace and are considered to be a benefit for many consumers. Substitute products provide more choices for consumers, who are then able to satisfy their needs (Kenton, 2019).

Boyce (2020) explains that substitute goods ensure that there is competition in the market environment. This is important because it helps keep prices down, and quality up. For example, if the price of a burger increases at a certain fast-food store, the consumer will look at other affordable options for the same item.

This concept is linked to the theory as lower economic group individuals always have substitute options available. This creates competition amongst retail stores as prices need to be reasonable.

2.1.4. <u>South African Revenue Service</u>

The South African Revenue Service is South Africa’s tax collecting authority. The state-owned entity has the responsibility of managing the tax system and customs services (SARS, 2020a). Apart from ensuring taxpayers are aware of their obligation, SARS strives to achieve maximum tax compliance and act against those that break the law (SARS, 2020a).

Pieterse, Gavin and Kreuser (2018) further explain that SARS is a panel of set data that was created by merging many sources of administrative tax data. The panel consists of company income tax from registered firms who submit tax forms, employee data from employee income tax certificate, value-added tax data from registered firm and customs records from traders (Pieterse et al., 2018).

The South African Revenue Service is a key element to this research study. Value-added tax is collected and controlled by SARS. Furthermore, any aspect relating to taxes and customs are controlled by SARS. The researcher is able to use key information presented by SARS to interpret and understand the challenges of VAT on businesses and households.

2.1.5. <u>Indirect Taxes</u>

Indirect taxes are charged on most goods and services and are paid indirectly by the customer (Pettinger, 2018). These taxes often increase the price of goods and services. Due to this, a customer is not able to purchase the product as often as they want (Murry, 2019).

Murray (2019) also explains that indirect taxes are referred to as “hidden taxes” as customers are not aware that they have been taxed. Furthermore, indirect taxes are regressive. This means that these taxes take a higher percentage of income from low economic group individuals (Pettinger, 2018). Indirect taxes include VAT, sugar tax, excise taxes (tobacco and alcohol tax) and import levies (Pettinger, 2018). In South Africa, indirect taxes are collected by SARS.

Indirect taxes make up the main point of this research study because VAT is a form of indirect tax. Low economic group households also pay different forms of indirect tax, such as VAT, service tax and excise duty on fuel. Sometimes, individuals are unaware of such charges

2.2. <u>Theoretical Framework</u>

The Consumer Decision-Making Process theory was used to determine the buying actions among lower economic group consumers. This theory was created by John

Dewey in 1910. In 1968, this theory was updated and expanded to create the Engel, Kollat and Blackwell model of consumer decision (Mehrguth, 2018).

According to Zalani (2019) John Dewey conceptualised this process as a journey that a consumer goes on from identifying their problem to deciding to buy a product. There are five stages that were identified to in the consumer decision-making process. The researcher decided to use this theory because it will help to identify how the consumer chooses a product that has standard rated value-added tax. This will help the researcher to determine how VAT plays a role in these decisions. Furthermore, businesses can gain an insight on how to react to these consumers decisions.

2.2.1. The Five Steps to Consumer Decision-Making Process

Stage 1: A Problem or a Need

The first stage of this theory indicates that the consumer has to have a need for a product or service (Mehrguth, 2018). The recognition of a need can be caused by internal factors, such as personal perceptions and feelings or by external factors, such as word of mouth or marketing (Hill, 2019). It is important for a business to market their product well to their target audience. The researcher believes that businesses can help consumers recognise the need for a product by have regular sales and other promotions.

Stage 2: Information Search

Once the consumer has identified the need for a product, the next stage is the search for information. During this stage, the consumer is determined to gather sufficient and relevant information about the product (Zalani, 2019). Marsinah (2017) states that a consumer is likely to make a pro and con list when researching information about a product. The information can be obtained from an internal or external search.

In an internal search, the consumers rely on their personal experience with the product. Their experience will determine if the consumer will purchase the item again (Zalani, 2019). External search refers to gathering information from outside sources. A popular external source is Google or other search engines. The consumer can also get information from people who recommended a product (Zalani, 2019).

The researcher believed that VAT rate plays a part in this stage as the consumer will be exposed to the price of a product. The consumer will be able to determine if the product is zero-rated or standard rated. According to the researcher, lower economic group consumers are more likely to use the internal search or get information from a recommendation.

From a business perspective, consumers will be attracted to a brand or store if they can find the necessary information on one site (Mehrguth, 2018). The researcher suggests that businesses need to provide relevant information about the product as well as provide reviews from other consumers. This can be done via the company website or by simply adding a short description to adverts.

Stage 3: Evaluation of Alternatives

When a consumer has decided on a product from stage two, the consumer will now confirm if the product is really what they needed. At this stage the consumer starts to ask certain questions in order to justify the purchase of the product (Marsinah, 2017).

Zalani (2019) adds this stage is about comparing different brands that offer the selected type of product. For example, the consumer needs bread and there are many brands that offer bread. The consumer will compare the different bread manufactures.

Consumers aim to find best deal on products. For this to happen, the consumer will compare the price, quality, convenience, or any other factor that relate to the product (Marsinah, 2017). The consumer will often compare prices amongst different stores. VAT is the main influence that leads to a products price been high. Lower economic households can either stick to the items they require or opt for more zero-rated items so they can save money.

The researcher believes that a company's marketing and pricing strategy is important for this step. A business should aim to provide the best prices whilst still making a profit (Mehrguth, 2018). Certain stores are able to do this by targeting a certain economic group and constantly advertising in ways that appeal to the group.

Stage 4: Purchasing Decisions

At the fourth stage the consumer has already decided on which product to purchase. This decision was made by the previous three stages (Marsinah, 2017). At this stage there this not much to cover as the consumer is ready to make their purchase. There are no influences to change their decision at this point.

Stage 5: Post-Purchase Evaluation

The last stage occurs once the consumer has used the purchased product. The consumer will have to make a decision if the product has satisfied their need for it or not (Hill, 2019).

The researcher believes that this stage is most important for a business as consumers will not form an impression about the product. Furthermore, these consumers will now pass on a review to other potential buyers. Businesses need to ensure that their prices and products are up to standard so consumers can also become brand loyal.

2.3. Review of Past Literature

This literature review aims to link the research problem, effect of VAT on low-income households, with current and previous literature. The themes for this review are: an explanation of VAT in South Africa, different types of VAT, the disadvantages of VAT and how VAT adds to poverty in South Africa.

2.3.1. <u>Value-Added Tax in South Africa</u>

Charlet and Owens (2010) claim that value-added tax was introduced into South Africa during 1991 with a low standard rate, low registration threshold and few exceptions and exemptions. Since then VAT in South Africa is known to be mildly regressive because VAT is charged at one rate to all citizens no matter their income bracket (Charlet & Owens, 2010).

The South Africa Revenue Service defines VAT as an indirect tax that is charged on the consumption goods and services in the economy. This form of tax is charged at each stage of the production and distribution process. In addition, it is proportional to the price of the goods and services (SARS, 2020b).

Isaacus (2018) states that 10% of South Africa's lowest earning individuals spend more than 14% of their disposable income on taxes like VAT. It is believed that any increase in the VAT rate or income tax rates will have a huge impact on lower economic groups. Lower income groups get their income from either government grants or by earning the minimum wage rate of 20 Rand per hour (Thejane, 2020).

In 2018, the Minister of Finance of South Africa announced that the VAT rate will increase from 14% to 15%. Although this might seem as a small change, the impact of it is huge (Dangor, 2018). The recent increase in VAT made basic goods more expensive. Low-income households pay 9c in VAT on every rand of disposable income (Valodia & Francis, 2019). Furthermore, this increase is also felt in the diets of poor children in many communities (Dangor, 2018).

It is stated in the "VAT Act of 1991" that certain goods and services are to be zero-rated (South African Government, 1991). The Act lists up to 19 zero-rated items. Zero-rated items were introduced to help low-income households as most of their income is spent on these goods (Steenkamp, 2018).

However, Dangor (2018) argues that even though the South African government provides these zero-rated items, most of the item need to be cooked. Therefore, low-income households are now paying VAT on electricity and water. Furthermore, the VAT increase makes nutritious and quality food more inaccessible and the budgets of low-income households will lead to the purchasing and consumption of cheap and unhealthy foods (Dangor, 2018).

The researcher believes that the government should consider making VAT more progressive. Although it seems difficult to do so, there are ways that can be used to protect the poor from VAT. The government can start by increasing the number of items that quality for zero-rating. Isaacus (2018) explains that high-income households will benefit from the zero-rated items but the government can cover up this by increasing the VAT rate on certain luxury goods and services.

2.3.2. <u>Value-Added Tax Rates in South Africa</u>

South Africa has three types different VAT rates. These rates are known as: Standard rated, zero-rated and exempt.

The first VAT rate in South Africa is known as the standard rate. A standard rate is a constant rate of tax that is placed on all final goods and services (SARS, 2020b). the current VAT rate in South Africa is 15%. The VAT rate was adjusted in 2018 from 14% to 15% (SARS, 2020b). The researcher believes that even though the increase was small, the impact on poor households is huge. The standard VAT rate affects low-income households the most.

The next VAT rate is zero-rated. Majaski (2019) explains that VAT is charged at 0% on certain items. Zero-rated items are chosen by the government based on a set criterion. It is important to note that these items are not exempt from VAT but rather just excluded from VAT charges. The VAT rate on zero-rated can be changed at any point to the standard rate of 15% (Majaski, 2019).

The researcher understands that low-income households benefit the most from zero-rated items. However, as mentioned before, even though low-income save income by purchasing zero-rated VAT items, they will be charged VAT on the utilities used to prepare these foods (Dangor, 2018).

The South African government uses zero-rated VAT rates to help poor citizens. Steemkamp (2018) states that the government allows 19 items that are zero-rated.

The items that have been chosen to be zero-rated are known to be basic foods that are needed in an everyday diet (Majaski, 2019). Some zero-rated products include: brown bread, cake flour, eggs, milk, rice, fruit, vegetables, lentils and petrol (Steenkamp, 2018).

The final VAT rate in South Africa is known as exemption. Nieuwondt (2013) states that VAT exempt refers to the supply of goods or services that have no VAT rate. Some examples of VAT exempt products and services are: all financial services, medical and paramedical services, educational services and transport services (Nieuwondt, 2013).

It is important to note that VAT exempt is not the same as zero-rated VAT. The difference is that VAT will never be charged on exempt products and services, whereas the AT rate on zero-rated items may be changed at any point (Jono, 2019). The researcher understands that only standard rated VAT presents an issue for low economic group consumers.

2.3.3. Value-Added Tax Contributing to Poverty in South Africa

Alcock (1997) describes poverty as having a shortage of something in terms of materially, socially and emotionally. Alcock (1997) further explains that a person living in poverty has to spend less on food, clothing and other expenses compared to an individual earning an average income. In South Africa, more than 50% of the adult population lives in poverty (Stats SA, 2019a). The researcher has used statistics from 2019 as the results for 2020 have not been published.

Poverty has two main classifications. Absolute poverty is a condition where household income is below the necessary level to maintain basic living standards. Relative poverty is a condition where household income is a certain percentage below median income. For example, the threshold for relative poverty could be set at 50% of median income (Pettinger, 2019).

According to Stats SA (2019b) South Africa is classified as an upper-middle income country. However, most households experience poverty or vulnerability to being poor. Furthermore, in South Africa the distribution of income and wealth is the most unequal in the world. In addition, many households still do not have access to clean water, energy, proper health care and education (May & Govender, 1998).

The South African government uses poverty lines as a tool to statistically report the level of poverty and other patterns (Stats SA, 2019b). Poverty lines are determined on the cost of basic needs approach, which links welfare to the consumption of goods and services. Poverty lines are aimed to provide a measurement of money-metric poverty whilst trying to improve the country's developmental policies and programmes (Stats SA, 2019b).

The national poverty line is broken up into three categories. These include the; Food Poverty Line that suggests a person requires R581 per month to afford the minimum required daily energy intake (this is also known as the extreme poverty line) (Stats SA, 2019b). The Lower-bound Poverty Line that indicates a person requires R810 a month to satisfy the needs of a Food Poverty Line plus an average intake of non-food basic needs and lastly The Upper-bound Poverty Line which states an individual needs R1227 per month to meet food basic needs and non-food basic needs (Stats SA, 2019b).

It is important to note that the national poverty line does not determine the minimum wage or amount of special grant paid in South Africa (Stats SA, 2019b). The researcher acknowledges that these poverty lines do not give the true measurement as prices of goods and services are always changing.

The researcher believes that poverty passes through generations and the cycle of poverty is hard to break. Chutel (2017) explains that youth are trapped in poverty from an early age. It is understood that more than 47% of children, under the age of 17, are brought up in households that generate around R900 of income a month (Chutel, 2017). The researcher understands that the poverty cycle follows these children into childhood as more than half of the population are unemployed (Chutel, 2017).

Poverty is related to this research study because when low economic individuals spend most of their income paying VAT and other indirect taxes, they automatically have to spend less on food, shelter and clothing. Furthermore, these households have to fight harder to stay out of the poverty category. The researcher acknowledges that poverty is an underlying issue for low economic households and the poverty rate can be linked to VAT as most of these household's income is spent on VAT.

3. Research Design and Methodology

This section includes a discussion of the paradigm related to this study. This research study follows the interpretivism paradigm. The research design and approach will be analysed and the researcher will discuss the population and sampling of this study. This section also examined the data collection method and data analysis process.

3.1. Research Paradigm

A paradigm describes beliefs and dictates how research should be done, what should be studied and how the results should be interpreted. When a specific paradigm is followed, the researchers adapt to studying issues relating to their field. It is important for the researcher to know and understand the chosen paradigm as it becomes easier to develop questions based on the research topic and to interpret the information collected (du Plooy-Cilliers, Davis & Bezuidenhout, 2014).

There are many types of research paradigms, some include positivism, interpretivism and critical realist. This research study follows the interpretivism paradigm of research. Dudovskiy (2019b) describes interpretivism as a method that requires the researcher to interpret elements of the study. This study was based on interpretivism as the researcher is required to find participants that will complete the questionnaire, which is used to gain an in-dept understanding of the problem. Interpretivism will be discussed under ontology, epistemology and methodology.

3.1.1. Ontology

Ontology is defined as the “study of a being” as it deals with the nature of reality (Dudvoskiy, 2019a). Ontology in an interpretivism study considers reality to be subjective and created by human interaction. It is important to understand that due to the difference in culture and experience, people will not experience reality in the same way (du Plooy-Cilliers et al., 2014).

This research study involves human interaction as the researcher will communicate with low economic group customers to gain information about their experiences with paying VAT. Furthermore, not all households in South Africa have difficulties paying VAT. This means they do not experience reality the same ways as people who are burdened by VAT.

3.1.2. <u>Epistemology</u>

Epistemology deals with the nature of knowledge and the different ways of knowing. Research is about knowledge and all research studies need to contribute to a board of knowledge (du Plooy-Cilliers et al., 2014). In an interpretivism study, common sense is an important part of knowledge as it guides people in everyday living. Facts are not objective but it rather depends on how people interpret information (du Plooy-Cilliers et al., 2014).

This study adds to the existing body of knowledge. The information provided in this study will assist other researchers who are reviewing the laws that surround VAT in South Africa and others that are interested in the challenges caused by VAT.

3.1.3. <u>Methodology</u>

Methodology is described as a guiding system for solving problems. Research methods that are used for collecting data falls under the methodology of a research study. The three types of methodology are qualitative, quantitative and mixed-methods (du Plooy-Cilliers et al., 2014). This research study follows the qualitative methodology approach.

A qualitative research study is described as a strategy that focuses words rather than numbers in the collection and interpretation of data. This study used interviews to gain information that helped the researcher understand the challenges faced by low economic households as a result of paying VAT.

3.2. Research Design and Approach

This study followed the qualitative descriptive approach. It is classified as a qualitative study because the main aim of this study was to describe the challenges of VAT as perceived low lower economic group consumers. This aligns with the interpretivism paradigm that is used for this study. By doing a descriptive study, the researcher was able to gain information about each individuals reality with paying VAT.

The timeframe for this study was cross-sectional. Thomas (2020) explains that cross-sectional studies are able to collect data from groups within a short period. The researcher has one year to complete this study. In the research field, one year is known to be a short period of time.

According to the nature of the IIE research process, this research study used a deductive approach. A deductive approach is when the researcher has already selected a theory that will be used in the study and the aim of the study is known. After these two sections have been determined, then only will the researcher begin with the data collection process and presenting the data to answer the aim of the study (Miessler, 2016). In this study, the researcher had already chosen the theory and the aim of the study is clear.

3.3. Population

Hassan (2018) explains that in a research study, the population refers to large group of individuals or objects that makes up the main focus of the research topic. A research study is done to benefit the population of the study. All individuals in a population are known to have similar characteristics (Hassan, 2018).

However, it is not possible for a researcher to reach every individual of the research population. Therefore, the researcher needs to develop an accessible population that is easy to reach so the study can be conducted (Hassan, 2018).

3.3.1. <u>Nature of Population</u>

The nature of a population refers to what is been studied, such as individuals or objects (Hassan, 2018). This research study focused on the challenges faced by lower economic group consumers, due to VAT. Therefore, this study researched people.

3.3.2. <u>Target Population</u>

A target population is the entire group of individuals or objects that researcher require in order to draw conclusions on the study. The target population of a study usually share the same characteristics (Hassan, 2018).

The target population for this study were all low economic group consumers that shop at stores that have low prices in Kwa-Zulu Natal.

3.3.3. <u>Accessible Population</u>

Hassan (2018) states that the accessible population refers to the individuals that the researcher is able to reach and contact. The researcher is able to draw conclusions based on the information collected from the accessible population.

The researcher of this study was based in Durban, South Africa. Therefore, the accessible population for this study were low economic group customers, who shop at retail stores that offer low prices, in the Durban South area.

3.3.4. <u>Characteristics of Population</u>

The first characteristic of this population was that all individuals are affected by value-added tax when trying to satisfy basic needs. The researcher believes that the population hardly benefits from zero-rated VAT items. Therefore, the population was somehow burdened by VAT.

Secondly, the population are frequent shoppers at stores that offer low priced items and have great deals on certain items. This population rarely shops at other large chain stores because of the price differences.

The last characteristic is that these individuals had limited buying power as the VAT rate increase the price on many goods and services. The population cannot be brand loyal to a specific brand due to the nature of prices.

3.4. <u>Sampling</u>

According to Tuovila (2020) sampling refers to the process that is used to determine the number of individuals or observations that will be taken from the larger population. There are two types of sampling methods that is used in research, probability methods and non-probability methods.

3.4.1. <u>Unit of Analysis</u>

Unit of analysis refers to what is been analysed in the research study (Tuovila, 2020). This study analysed the responses received from the chosen participants. The researcher received responses based on low economic group consumers experience on VAT and some challenges they have faced.

3.4.2. <u>Sampling Method</u>

This study used a non-probability sampling method. Glen (2016) explains that non-probability sampling is a technique where the odds of selecting a participant for the sample is not calculated. The researcher chose this sampling method because it is cost and time effective. Non-probability sampling allowed the researcher to collect data urgently as this study had a limited timeframe.

The researcher used purposive sampling as the main non-probability sampling method. Purposive sampling is used to select the sample based on the population characteristics and the objective of the research (Crossman, 2020). This study used the homogeneous purposive sampling method. This means that participants were selected by the researcher because they shared one or more of the same characteristics (Crossman, 2020).

The objective of this study was to determine the challenges that VAT creates for low economic group consumers. Therefore, the researcher needed to specifically select the sample by ensuring they are affected by VAT and they share a characteristic. The researcher chose the sample by considering participants that were indirectly known to the researcher. It was important to note that the sample had no relation and has not met the researcher before. The researcher ensured that the sample fit the objective of this study and had the characteristics mentioned above.

3.4.3. <u>Sample Size of Accessible Population</u>

This was a qualitative research study. Therefore, according to the IIE Honours program the sample size of the accessible population was four participants.

3.5. <u>Data Collection Method</u>

Jovancic (2019) explains that data collection is a process of gathering specific information that required for the research study. This study follows the qualitative data collection method. Qualitative data collection methods consist of open-ended questions and descriptive answers. The researcher conducted face-to-face interviews that consisted of open-ended questionnaires as the data collection method.

3.5.1. <u>Open-ended Questionnaires</u>

According to McLeod (2018) questionnaires are a research instrument that consists of questions that are used for the purpose of gaining information. Questionnaires are known as written interviews and it can be carried out face to face (McLeod, 2018).

Open-ended questionnaires are used to gain in-dept responses from participants. Furthermore, open questions are used for complex questions that cannot be answered with a “yes” or “no” because it requires more detail and discussion (McLeod, 2018).

The researcher chose open-ended questionnaires to gain more information about the challenges that affect low socio-economic group consumers face when paying VAT. The researcher aimed to understand the experiences that this group of consumers have. This method of data collection was suitable for this study because it is cheap, quick and efficient way of obtaining information (Dawer, 2019).

The researcher used open-ended questions to interpret the challenges of VAT and to understand the purchasing decision-making process of low economic group consumers. The researcher asked participants to share their experiences with paying VAT and if they are able to stay brand loyal to certain brands.

3.5.2. <u>Advantages of Open-ended Questionnaires</u>

This data collection method has many advantages. Some of the advantages include: the participants are able to give detailed and honest answers, these questionnaires have no limit to answers so the participant can provide lots of useful data and open-ended questions provide rich data from diverse customers and it enables the researcher to gather viewpoints, opinions and customer perspectives (Dawer, 2019).

3.5.3. <u>Limitation of Open-ended Questionnaires</u>

A limitation of using open-ended questionnaires is that it is time consuming to analyse the data (McLeod, 2018). This limitation did not affect the data analyse in this study because the sample consisted of four participants and there was not a lot of data to analyse.

3.6 <u>Application of Data Collection Method</u>

Before the researcher began collecting data for the study, ethical clearance was granted from the IIE and Varsity College. The researcher found four participants, that satisfied the characteristics of the population. The participants were indirectly known to the researcher. In addition, the participants did not have any relation to the researcher. All four participants met the first requirement of being affected by the VAT rate when satisfying their basic needs. Two participants shop at stores that offer low prices.

The researcher went to each participant when they were available and ready to be interviewed. The aim and objectives of this study were discussed with each participant. The researcher ensured that each participant was aware of all the ethical considerations for this study.

In addition, it was stressed that participants were allowed to withdraw from this study at any moment. The researcher ensured that each participant knew that their identities individual will identify the participant. Once the participants were clear on what was required of them, they each signed a consent form and recording form that gave the researcher permission to use their answers and to record the interview.

To ensure that the participants were comfortable, the researcher had a conversation with each participant to help relax them and ensure they were not nervous. All participants were allowed to take a break during the interview if needed. Furthermore, the researcher ensured that no one else was present in the room where the interview was been conducted. This was done to ensure the participants answers will be private and other individuals will not be aware of the participants challenges with paying VAT.

Before starting the interview, the researcher gave each participants an overview of what will be asked to ensure that the participants will know what to expect and they will not be surprised about the questions. Once the overview was done, the researcher reminded the participant that they can decline answering a certain question.

The interview with each individual ranged between 10 and 15 minutes. To record the interviews, a cell phone that belonged to the researcher was used. Once the interview was conducted, the researcher transferred each recording onto a laptop. Each participant was thanked for being a part of this study and they were remined that they can request a copy of this study once it was completed.

3.7. Data Analysis Method

The researcher used the qualitative content analysis method to analyse the data received from the interviews. According to Nieuwenhuis (2020) qualitative content analysis method is a systematic technique for reducing the amount of words into fewer content categories based on coding. Content analysis method allows the researcher to scan through large amounts of data by using a systematic order. This method was suitable for this study because it was developed for a descriptive study (Nieuwenhuis, 2020).

Coding is a process that first scans through the data, then reading it more indept and dividing it into meaningful categories (Nieuwenhuis, 2020). This helped the researcher to only use useful information for the study. Coding consists of marking the data with symbol, descriptive words or by using unique names (Nieuwenhuis, 2020). These categories can be developed in a hierarchical category system. The use of a tree diagram can make this system successful.

3.8. <u>Application of Data Analysis Method</u>

To analyse the data collected, the researcher decided to use a useful framework. A 6-step framework created by Braun and Clarke (2006) was chosen. The researcher will discuss the use of each step below.

3.8.1. <u>Becoming familiar with the data</u>

According to Braun and Clarke (2006) the first step in a qualitative analysis is to read and re-read transcripts from the interviews. This helps the researcher to become familiar with all the answers received. Maguire and Delahunt (2017) state that it is useful to make notes and jot down early impressions.

The researcher listened to the recordings and had produced a transcript for each interview. Once the transcript was created, the researcher has read the responses many times and has made notes of some patterns that were similar. In addition, the researcher has highlighted answers that were the same.

3.8.2. <u>Generating codes</u>

Coding is used to organise the data in a meaningful and systematic way. The data is coded according to something that was relevant to or indicated something interesting about the study's research question (Maguire & Delahunt, 2017).

The researcher referred back to the aim and objectives of this study whilst determining how to code the data received from the interviews. The researcher did not code the data line-by-line as this was not an inductive analysis. Instead, open coding was used to develop and determine the codes as the researcher continued with the process.

3.8.3. <u>Searching for themes</u>

Braun and Clarke (2006) mention that the third step is to find themes for the data. In addition, there are no rules about what makes a theme and a theme is characterised by its significance (Braun & Clarke, 2006). If the study has a small data set, there will be an overlap between the coding stage and identifying themes. The aim of this stage is to organise the codes into broader themes that relate to the research question (Maguire & Delahunt, 2017).

The researcher had examined the coding and realised that many of the codes fit into a theme. However, it was important to note that some codes were associated with one or more themes. Furthermore, not all codes fit into a specific theme and the researcher was required to create a ‘miscellaneous’ theme.

After reading and coding the transcripts, the researcher has created the following themes: Types of food purchased, Purchasing of cheapest option, Considering alternatives, Sources of information, Recommendation of products, Brand loyalty and Recommendations for stores.

3.8.4. <u>Reviewing themes</u>

In this step, the researcher was required to review, modify and develop the themes that were identified in Step 3. The researcher gathered and colour-coded all the data that was relevant to each theme. There were no changes made to the themes created in step 3.

In addition, the researcher considered the following theme checklist created by Braun and Clarke (2006): the themes make sense and the data supports each theme, the researcher did not fit to much into one theme and there are other themes within the data.

4. <u>Presentation and Interpretation of Findings</u>

The researcher used qualitative content analysis method to analyse the data received from the interviews. The necessary data was grouped into themes that related to the aim of this study. In addition, the data is used to understand the participants buying decisions in relation to the Five Steps to Consumer Decision-Making Process theory used in this study.

The findings were further assessed according to the research questions, objectives and problem statement of this study. The researcher developed the following themes and presented the data using a table format:

4.1.1. <u>VAT</u>

This main focus of this research study is Value-added tax. This theme was created to determine if the participants purchase more zero-rated VAT items or standard rated items. The researcher attempted to determine if there were any similarities in the purchases that the participants made. In addition, this theme aimed to determine some challenges that these households face by paying VAT.

Participant 1	"Fresh vegetables are a must in this household" "I buy a lot of rice and milk" "I purchase snacks (chips, chocolates, biscuits) at least once a month"
Participant 2	"I mainly purchase fresh foods (bread, milk, eggs, fresh vegetables and fruits) monthly" "Frozen foods (chicken and other meats), I prefer to bulk buy when it is on special"
Participant 3	"I purchase a lot of fruit and fresh vegetables" "Chicken and cereals are also my common purchases" "If I keep within my shopping budget, I sometimes by biscuits and some junk food"

Participant 4	"I buy the ingredients that will make up the usual meals at home" "It ranges from veg to rice" "If meat is on special, I buy more of it" "We buy bread and milk everyday"

Based on the responses, it was evident that all participants purchase fresh produce on a regular basis. The common items were fresh produce (fruit and vegetables), rice, eggs, milk and bread. In South Africa, these mentioned items are zero-rated. This means thar VAT is charged at 0%. However, it was important to note that the VAT rate can change on those items.

Participant 3 mentioned that junk food is only purchased if the budget is followed, whilst participants 2 and 4 prefer to buy meat and chicken in bulk when it is on special. The researcher identified that these items include VAT of 15%. Based on the answers received, the participants purchase zero-rated items more often than standard rated goods.

4.1.2. <u>Loyalty to A Brand Or Store</u>

One of the main challenges that retailers face is consumers not being loyal to the store. It was identified that consumers do not commit to one brand or store because of the price differences (Eastaugh & Olakiigbe, 2019). The Five Steps to Consumer Decision-Making Process theory suggest that businesses need to ensure that their prices are low and products are up to standard so consumers can become brand loyal (Marsinah, 2017). This means that businesses must ensure its products are made from good quality and is priced correctly.

Participant 1	"I am loyal to a store" "It has everything I need in one place" "I get good specials on many things"
Participant 2	"I stay loyal to a few brands because I like the quality"

	"I'm not loyal to a shop" "I will go to a shop where items are better priced or on special"
Participant 3	"Loyal to a store and some brands" "The store has nice weekly specials and I like to choose the quality I know"
Participant 4	"Yes, loyal to a store" "It always has the cheapest prices" "and they stock everything I need"

Participants 1,3 and 4 indicate that they are loyal to a store. The common reasons for their loyalty to the retail store were great deals and convenience of having everything in one place. The researcher identified that these stores are targeting lower economic group consumers by maintaining low prices and having weekly and month-end specials.

Participant 2 stated that they always look for stores that have better price and deals. However, participants 2 and 3 stay loyal to brands because of quality and knowing what to expect. This theme links to the next theme of determining if participants purchase alternatives to what they need.

4.1.3. Purchasing Alternative Products and Recommending Items

The aim of this theme was to determine how often a consumer searches for an alternate product. An alternate product is the same product the consumer requires but in a different brand and price range.

In addition, the researcher assessed if consumers recommend certain items to other households. According to the Five Steps to Consumer Decision-Making Process theory, the author suggested that consumers often compare different brands that offer the required type of product (Zalani, 2019). The aim of searching for alternatives is to find the best deal. However, this is done by comparing the price, quality, convenience, or any other factor that relates to the product.

Furthermore, the theory states that consumers will form an impression about the product and pass on a review to other potential buyers. If the consumer like the product, they are most likely to recommend it to another household (Zalani, 2019). The researcher received the following answers:

Participant 1	"I do not look for alternatives" "I stick to what I know so I am guaranteed to be satisfied with products" "If I am happy with a product, I will recommend it to others"
Participant 2	"I don't compare prices of similar products" "I buy what I'm familiar with" "I do not often recommend products" "If someone asks then I will recommend based on my experience"
Participant 3	"I will look at an alternative only if it's on a promotional price" "I don't recommend products"
Participant 4	"Yes, I look for alternatives" "I compare the brands based on price" "I always recommend products to friends and family.

Based on the above, the researcher identified that two participants do not look at any alternative product as they rather purchase what is familiar to them. The main reason for this is that participant 1 and 2 want to be guaranteed the best quality. Participant 3 will only look for an alternative if there is a sale at the store and participant 4 always looks for alternatives to save money. In addition, the researcher noted that only three participants are willing to recommend products to others, whilst participant 3 does not recommend items.

4.1.4. <u>Recommendations For Stores to Keep Consumers</u>

One of the main objectives of this research study was to determine how stores, that cater for the lower earning economic group, can retain these consumers. The recommendations provided by the participants aimed to help stores attract new consumers and keep loyal consumers.

Participant 1	"Clear display of specials in stores" "Adverting deals in the local newspaper"
Participant 2	"Have catalogue where similar products are listed with the price for each product" "Maintain the good prices"
Participant 3	"By having a lot more food and household items on sale" "Increase the range of products"
Participant 4	"Have more sale items" "Stock brands that are cheap and have nice quality"

Participant 1 suggested that stores should clearly display deals around the store and advertise in the local newspaper. This will allow the community to become aware of such specials. Participants 3 and 4 recommend that stores should have more specials on food and household products. In addition, they suggested that stores need to increase the range of products available. This will also allow households to buy all the required items at one store.

Participant 2 suggested that stores create a pamphlet that will help consumers compare prices of other brands. Furthermore, it was recommended that the store needs to maintain good and low prices to keep loyal consumers.

4.2. <u>Trustworthiness of the Study</u>

Nieuwenhuis (2020) explains trustworthiness in a qualitative study is very important. The researcher used the four criteria to ensure trustworthiness in within study:

4.2.1. <u>Credibility</u>

Credibility is about determining if the finding of the study relates to reality or if the reader will believe the finding presented by the researcher (Nieuwenhuis, 2020). Credibility can be achieved by having a well-establishes research method, a research design that relates to the research question or by simply getting familiar with the participants before the data collection process commences (Nieuwenhuis, 2020).

To ensure credibility in this study, the researcher has a well-defined purposive sample, regular debriefing sessions with the appointed research supervisor and will use an effective data collection method.

4.2.2. <u>Transferability</u>

Transferability refers to the extent to which the results of a research can be generalized or transferred to other contexts or settings (Nieuwenhuis, 2020). In a qualitative research study transferability is the responsibility of the one doing the generalizing. The researcher can enhance transferability by doing a thorough job of describing the research context (Nieuwenhuis, 2020).

The researcher ensured transferability by providing the reader with a full and purposeful amount of information regarding the research topic. The researcher used purposive sampling to gather information. This enabled the readers to make connections between the data in this study and real life.

4.2.3. <u>Dependability</u>

Dependability deals with consistency. The data analysing process must be in line with the accepted standards for a particular design (Nieuwenhuis, 2020). Dependability and credibility often go together. Dependability is demonstrated through the research design of a study, data gathering and the appraisal of the study (Nieuwenhuis, 2020).

The researcher ensured dependability by recording decisions taken during the research study and documenting the data analysing process so other individuals can see how the researcher has made certain decisions.

4.2.4. <u>Confirmability</u>

Confirmability is the extent to which the research findings are based on the feedback from the participant and not the researcher's motivation or interest (Nieuwenhuis, 2020). It's important for the researcher to replicate the findings to show that the findings are a product of independent research method (Devault, 2019).

The researcher presented the true findings obtained from the participants and did not influence the results in any way. Furthermore, the researcher limited interactions with participants so there was no risk of bias involved in this study.

5. <u>Conclusion</u>

5.1. <u>Research Question and Objectives Answered</u>

The researcher determined if the research questions and objectives of this study were answered.

5.1.1. <u>Primary Question and Objective</u>

The primary question for this research study was: What are the challenges of that VAT affect low economic group consumers. This led to the objective of discovering the challenges of VAT that affect lower economic group consumers. The researcher was able to gain a better understanding for this question through theme 1.

It can be suggested that the possible lower earning economic group consumers do not purchase as much standard rated items as expected. The researcher identified this as a challenge because consumers have to limit the amount of standard rated items. In addition, some participants mention that they can only buy certain goods if they keep within their budget. These households are also known to purchase fresh fruit and vegetables because it is cheaper at certain stores.

Furthermore, the respondents are constantly comparing prices and brands to get the best deals. This can be time consuming and may add additional pressure to the households if they cannot find a suitable deal.

5.1.2. <u>Secondary Questions and Objectives</u>

The two secondary questions and objectives for this study were to identify how retail stores can retain these consumers and determine how these customers decide on where to shop. These answers were drawn from 3 themes that were analysed.

It was mentioned by the participants, that stores can keep consumers by maintaining low prices and by increasing the range of products carried at the store. This will be convenient for consumers as they will be able to do all their shopping at one location. In addition, it was recommended that these stores need to have more sales and improve on their marketing approach. In addition, these stores need to advertise in the local newspaper, that is accessible to the community on a weekly basis.

It was established that the participants are loyal to certain stores. This is because of the variation of prices across many stores. Based on the answers received, these households are also loyal to some brands and will not look for alterative products. However, some consumers may consider other alternatives if the product is on special.

5.2. Research Problem Addressed

The research problem was identified that many retail stores are challenged by retaining loyal customers. It was established that 87% of shoppers are not brand loyal (Peters, 2020). The current value-added tax on items might be the reason consumers shop at multiple stores. These groups cannot afford to purchase goods that are priced high due to VAT (Ebrahim, 2018). Thus, there was a need to better understand the buying behaviour of these consumers and finding ways stores can retain consumers.

With the analysis and interpretation of the findings, the researcher believes that this study can identify some of the challenges faced by lower economic households when paying VAT. In addition, this study was able to determine some ways businesses can retain consumers and improve the stores.

This study added to the existing body of knowledge of the challenges faced by lower economic households. Furthermore, it can be used by prospective readers and researchers to broaden the research on VAT and the management of businesses.

5.3. Ethical Considerations Addressed

The ethical considerations for this study will be explained in the context of a participant and the researcher.

5.3.1. Participants

This research study did not pose any risks on the participants, the IIE institution or any law of the country. The researcher was conducting a low risk research that will not include children. The identity of all participants was kept confidential. The researcher took all measures to ensure the safe keeping of all details provided by the volunteers.

Any individual who wished to be a part of this study received an explanatory information sheet that included the necessary details of the study and contact details of the researcher. A copy of the explanatory information sheet can be found under Appendix A.

All volunteers that agreed to participate in this study signed a consent form. The volunteers signed the consent form to show that they understand their rights as participants and to indicate that they are aware of the details of this research study. The consent form for this study can be found under Appendix B.

All participants had the right to withdraw from this study at any point. The researcher offered volunteers the opportunity to view the final proposal of this study.

5.3.2. Researcher

The researcher only commenced with the data collection once the necessary ethical clearance has been granted from the IIE institution.

The proper measures were used to ensure the data is recorded and handled properly. The researcher was the only individual that will have access to the raw data. The researcher was committed to keep the identity and information from the participants private. The researcher made use of strong passwords and made regular backups to ensure the safekeeping of the participants data. The identity of the participants was under no circumstances be known to any person or organisation.

The researcher followed standardised procedures with the participants. No information was collected in an unethical and secretive manner. Furthermore, all participants were be made aware of data that was included in this study. The researcher destroyed all unused data.

5.4. Limitations

Limitations are all challenges that may arise whilst doing a research study (Maree, 2020).

The first limitation on this study was the corona virus pandemic. Due to this, South Africa was in level of a national lockdown when the researcher started this study. The researcher is limited interactions with individuals when conducting the interviews.

Secondly, time constraint was a huge limitation for this study. The researcher had one year to complete this research study. To overcome this limitation, the researcher put in much effort and worked according to a planned schedule.

The last limitation for this study was having a small sample. This qualitative study only required four to six participants. The researcher made efforts to ensure all that the required information is required.

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7. Appendix

Appendix A: Explanatory Information Sheet

Explanatory Information Sheet
To whom it may concern, My name is Remalia Teshandre Sewraj and I am a student at IIE Varsity College Westville. I am currently conducting research under the supervision of John Foster about the challenges of value-added tax as perceived by lower economic group consumers. I also want to understand the purchasing decisions of consumers so my study can provide pricing and marketing suggestions to retail stores. I hope that this research will enhance our understanding of value-added tax affecting lower economic group individuals and how businesses need to create strategies based on a consumer's buying decision-making process. This study aims to add to the existing body of knowledge regarding VAT and businesses. I would like to invite you to participate in my study. In order to explain to you what your participation in my study will involve, I have formulated questions that I will try to fully answer so that you can make an informed decision about whether or not to participate. If you have any additional questions that you feel are not addressed or explained in this information sheet, please do not hesitate to ask me for more information. Once you have read and understood all the information contained in this sheet and are willing to participate, please complete and sign the consent form below. **What will I be doing if I participate in your study?**

I would like to invite you to participate in this research because I believe you will provide me with the data I require. If you decide to participate in this research, I would like to answer an open-ended questionnaire. The questions are aimed to understand your experience with VAT and to gain insight on how you choose what products to purchase.

You can decide whether or not to participate in this research. If you decide to participate, you can choose to withdraw at any time or to decide not to answer particular interview questions.

Are there any risks/ or discomforts involved in participating in this study?

Whether or not you decide to participate in this research, there will be no negative impact on you. There are no direct risks or benefits to you if you participate in this study. You might, however, indirectly find that it is helpful to talk about you're the challenges you face when paying VAT on items. If you find at any stage that you are not comfortable with the line of questioning, you may withdraw or refrain from participating.

Do I have to participate in the study?

Your inclusion in this study is completely voluntary;

If you do not wish to participate in this study, you have every right not to do so;

Even if you agree to participate in this study, you may withdraw at any time without having to provide an explanation for your decision.

Will my identity be protected?

I promise to protect your identity. I will not use your name in any research summaries to come out of this research and I will also make sure that any other details are disguised so that nobody will be able to identify you. I would like to ask your permission to record the interviews, but only my supervisor, I and possibly a professional transcriber (who will sign a confidentiality agreement) will have access to these recordings. Nobody else, including anybody at IIE Varsity College, will have access to your interview information. I would like to use quotes when I discuss the findings of the research, but I will not use any recognisable information in these quotes that can be linked to you

What will happen to the information that participants provide?

Once I have finished all interviews, I will write summaries to be included in my research report, which is a requirement to complete my Bachelor of Commerce Honours in Management. You may ask me to send you a summary of the research if you are interested in the final outcome of the study.

What happens if I have more questions about the study?

Please feel free to contact me or my supervisor should you have any questions or concerns about this research, or if there is anything you need to know before you decide whether or not to participate.

You should not agree to participate unless you are completely comfortable with the procedures followed.

My contact details are as follows:

Remalia Teshandre Sewraj

[redacted]

[redacted]

The contact details of my supervisor are as follows:

John Foster

[redacted]

[redacted]

Appendix B: Consent Form

THE INDEPENDENT INSTITUTE OF EDUCATION

Consent form for participants	
I, ____, agree to participate in the research conducted by Remalia Teshandre Sewraj about the challenges of value-added tax as perceived by lower economic group consumers and about understanding the purchasing decisions of consumers so recommendations can be made for retail stores. This research has been explained to me and I understand what participation in this research will involve. I understand that: • I agree to be interviewed for this research. • My confidentiality will be ensured. My name and personal details will be kept private. • My participation in this research is voluntary and I have the right to withdraw from the research at any time. There will be no repercussions should I choose to withdraw from the research. • I may choose not to answer any of the questions that are asked during the research interview. • I may be quoted directly when the research is published, but my identity will be protected.	
Signature	**Date**

Appendix C: Consent Form For Audio Or Video Recording

THE INDEPENDENT INSTITUTE OF EDUCATION

Consent form for participants	
I,_________________________________, agree to allow Remalia Teshandre Sewraj to audio record my interviews as part of the research about the challenges of value-added tax as perceived by lower economic group consumers and about understanding the purchasing decisions of consumers so recommendations can be made for retail stores. This research has been explained to me and I understand what participation in this research will involve. I understand that: • My confidentiality will be ensured. My name and personal details will be kept private. • The recordings will be stored in a password-protected file on the researcher's computer. • Only the researcher, the researcher's supervisor and possibly a transcriber (who will sign a confidentiality agreement) will have access to these recordings.	
Signature	**Date**

Appendix D: List of Questions Used in Interview

1. What type of foods do you purchase often?
2. When purchasing a product, do you purchase the cheapest option?
3. How do you decide what brand of product to buy? Example, brand of bread or rice.
4. Before you purchase an item, do you look at other alternatives?
5. Describe ways you find information about pricing and products? Example, newspaper ads, radio or in-store.
6. After using the products, do you often recommend products you have purchased to other individuals?
7. Do you consider yourself to be loyal to a certain brand or store? Why?
8. How can stores help you purchase the best products at the best prices?

Appendix E: Ethical Clearance Letter

4 September 2020

Student name: Remalia Sewraj

Student number: 17230196
Campus: Varsity College, Westville

Re: Approval of Bachelor of Commerce Honours in Management Proposal and Ethics Clearance

HONOURS ETHICAL CLEARANCE LETTER

Your research proposal and the ethical implications of your proposed research topic were reviewed by your supervisor and the campus research panel, a subcommittee of The Independent Institute of Education's Research and Postgraduate Studies Committee.

Your research proposal posed no significant ethical concerns and your supporting documents and instruments are in order to proceed. We hereby provide you with permission to proceed with your research.

In the event of you deciding to change your research methodology in any way, kindly consult your supervisor to ensure all ethical considerations are adhered to and pose no risk to any participant or party involved. A revised ethical clearance letter will be issued.

GENERAL CONDITIONS TO BE FULFILLED IN RELATION TO RESEARCH

Permission is granted to proceed with the above study subject to the conditions listed below being met and may be withdrawn should any of these conditions be flouted.

Please note: The panel has not considered the merits, accuracy or ethical soundness of the research. The only merits examined are the use of The IIE as a sample.

Permission is granted subject to the following conditions:

1. The researcher(s) will need to obtain informed consent in writing from all of the participants in his/ her sample if the study is not anonymous.
2. The researcher(s) may only use the data collected for research purposes and in no other way.
3. Photographs of human subjects may only be taken if relevant to the research, informed consent was obtained, and even with informed consent, the photographs may not be published on any online platforms.
4. The researcher is responsible for supplying and utilising his/her own research resources, such as stationery, photocopies, transport, faxes and telephones and should not depend on the goodwill of the institutions and/or the offices visited for supplying such resources.
5. No names or identifying information of participants may be used within the research and the research must be voluntary.
6. Please make it clear that the information will not be used punitively in any way and participants may in no way be counselled/advised based on this.

Supervisor:

Mr John Foster

[redacted]

Campus Postgraduate Coordinator (CPC):

Mr Siva Moodley

[redacted]

Appendix F: Final Research Report Summary Document Template

TITLE: A Qualitative Cross-Sectional Study Describing the Challenges of Value-Added Tax as Perceived by Low Economic Group Consumers in Durban, Kwa-Zulu Natal

Research Purpose	**Primary Question**	**Research Rationale**	**Seminal Authors**	**Literature Review**	**Paradigm**	**Approach**	**Data Collection Method**	**Ethics**	**Key Findings**	**References**
To understand the challenges of VAT as perceived by lower economic group. This study will inform businesses how to adjust pricing strategies.	What are the challenges of VAT that affect low economic group consumers?	This research was important as many unemployed and people living in poverty are struggling. Conducting this research will help others when trying to formulate a solution to the problem.	May, J. & Govender, J., 1998. Poverty and inequality in South Africa. *Indicator South Africa,* Volume 15, pp. 53-58.	**Theme 1**: VAT in South Africa **Theme 2**: Types of VAT in South Africa **Theme 3**: VAT adding to poverty in South Africa	**Paradigm**: Interpretivism **Epistemology**: the knowledge generated will help future law makers. **Ontology**: reality is a social construction	This research study used the qualitative approach.	The researcher made use of face-to-face interviews that consisted of open-ended questions.	The researcher kept the identity of all participants private and no children were allowed to partake in this study. Participants were free to leave at any point.	• The participants had issues purchasing standard rated goods on a regular basis • Businesses need to have specials to retain consumers	• SARS, 2020. *VAT.* [Online] Available at: https://www.sars.gov.za/TaxTypes/VAT/Pages/default.aspx [Accessed 20 April 2020]. • South African Government, 1991. *Value Added Tax Act.* [Online] Available at: https://www.gov.za/sites/default/files/gcis_document/201505/act-89-1991s.pdf [Accessed 21 April 2020].
Research Problem	**Secondary Questions/ Objectives**	**Key Concepts**	**Key Theories**		**Population**	**Sampling**	**Data Analysis Method**	**Limitations**	**Key Contribution**	
Lower economic groups cannot afford to purchase goods that are priced high due to VAT. As a result of this, businesses are unable to retain consumers. businesses often fail because of this.	• To identify how retail stores, retain low economic group consumers. • How do low economic group consumers decide where to purchase from?	• South African revenue Service • Disposable income • Tax • Indirect tax • Substitute Products	The researcher used the Consumer Decision-Making Process theory that was created by John Dewey. The theory aimed to help business to adjust strategies according to these decisions.		All low economic group consumers that shop at stores that cater for low prices in Kwa-Zulu Natal. A characteristic of the population is that each person is affected by VAT.	This study used non-probability sampling. Purposive sampling method is use as it is efficient. This study has a sample size of 4-6 participants.	Qualitative content analysis was used to analyse the data. The researcher used coding to group all similar answers.	• Time limitations • Access to the participant • Corona virus	This study added to the existing body of knowledge of the challenges faced by lower economic households and how stores can retain consumers	