

# **National Pride, Trust in Government and Tax Compliance: Evidence from an Environment of Severe Political Instability**

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# **National Pride, Trust in Government and Tax Compliance: Evidence from an Environment of Severe Political Instability**

## **Abstract**

### **Purpose**

This study examines whether national pride and trust in government can influence tax non-compliance among the Libyan self-employed taxpayers, drawing on insights from social identity and slippery slope theories.

### **Design/methodology/approach**

This study utilised a quantitative research methodology by surveying 312 self-employed taxpayers in Libya. The collected data was then analysed using partial least squares structural equation modelling (PLS-SEM).

### **Findings**

This study provides evidence that national pride and trust in government are positively and significantly linked to tax non-compliance behaviours among Libyan self-employed taxpayers. This finding is consistent with the expectations of social identity and slippery slope theories, indicating that lower levels of national pride and trust in government among Libyan self-employed taxpayers may contribute to their engagement in tax non-compliance behaviours.

### **Research limitations**

This study uses data relating to Libyan self-employed taxpayer living in Tripoli, and hence the results of this study may not be generalisable to other regions of Libya.

### **Practical implications**

The results of this study have important implications to governments, policymakers, tax authorities, and researchers. For example, our findings highlight possible opportunities for the Libyan government and tax authorities to increase tax compliance among self-employed taxpayers, where the findings may motivate these bodies to implement strategies that can enhance individuals' sense of national pride and trust in government, and hence influence their tax compliance behaviours.

### **Originality/value**

This study contributes and extends existing literatures by offering timely evidence on the extent to which national pride and trust in government can influence self-employed taxpayers' tax compliance behaviours in an environment of severe political instability, where legal system is dysfunctional.

**Keywords:** National pride, trust in government, tax non-compliance behaviours, self-employed taxpayers, Libya.

## **1. Introduction**

This study examines the effect of national pride and trust in government on tax compliance behaviours in an environment of severe political crisis using survey data of Libyan self-employed taxpayer.

Over recent years, there has been an increased interest by researchers, policymakers, governments, and general public in addressing issues relating to tax non-compliance. This largely due to that tax non-compliance can have severe consequences on both developed and developing countries, including inefficiency in providing public service, lowering economic growth, and increasing income and social inequalities (Al-Rahamneh et al., 2023; Hindriks et al., 2008). Further, prior studies (Kim, 2008; Mas'ud et al., 2014), suggest that the negative consequences of tax non-compliance problem are more severe in the developing than developed countries and this is largely due to that the former one often suffer from scarcity in domestic resources, and hence they rely more on taxes as a source of revenue. Evidence also suggests that developing countries tend to have weak tax systems, and hence tax non-compliance problem is more pronounced in such countries than in developed nations (Abodher, 2019; Abodher et al., 2016, 2018, 2020; Al-Ttaffi & Abdul-Jabbar, 2018; Azrina Mohd Yusof et al., 2014). For example, the 2013 and 2014 reports of the International Monetary Fund (IMF) indicated that the political instability in Libya, following the 2011 revolution, has resulted in weakening state institutions and laws, and this impacted negatively on tax revenue collection in the country (IMF, 2013, 2014). Similarly, the 2022 report of Libyan Audit Bureau (LAB) revealed that about \$228m in tax revenue from the oil and gas sector alone were lost due to poor tax collection systems (LAB, 2022). The 2019 LAB report also has shown the main reason for the decline in tax revenue in Libya is the spread of tax non-compliance behaviours among self-employed taxpayers (LAB, 2019). In addition, and according to the 2017 OECD and 2023 IMF reports, the vulnerability to falling oil production and prices, as well as shrinking of oil revenues, have increased the need for deeper and broader structural reforms in Libya, including improved tax-revenue collection from self-employed taxpayers. Due the need to improve self-employed tax-revenue collection, it has increasingly become important to understand factors that promote and encourage voluntary tax compliance among Libyan self-employed taxpayers.

Theoretically, prior studies (Alshira'h & Abdul-Jabbar, 2020; Chen et al., 2024; Gangl et al., 2019; Kirchler et al., 2008) suggest that social/psychological factors, such as national pride and trust in government, play an important role in influencing taxpayers' compliance behaviours. Specifically, social identity theory (Tajfel & Turner, 1979; Tajfel, 1981) suggests

that national pride plays an important role in influencing taxpayers' attitude and actions. Further, social identity theory (Tajfel et al., 1971) indicates that individuals, who have strong sense of national pride and belonging to their community, tend to behave in a way that benefit their community welfare and interests. Therefore, this theory advocates the view that taxpayers, who have strong sense of national pride and belonging to their community, are expected to comply with tax rules and make economic sacrifices by paying their taxes in order to enhance and protect their community welfare and interests. In addition, slippery slope theoretical perspective (Batrancea et al., 2022) indicates that individuals trust in government can significantly influence their tax compliance behaviours. Specifically, slippery slope framework suggests that taxpayers, who perceive their governments and tax authorities as powerful/trustworthy, are often act in accordance with tax laws, including paying their taxes (Scholz & Lubell, 1998). In contrast, it is argued that low trust in government can increase scepticism among taxpayers about how their tax contributions are spent, and this may impact negatively on their attitudes and behaviours towards paying taxes (Gangl et al., 2019; Roberts et al., 1994).

Empirically, despite increasing suggestions that tax compliance of self-employed taxpayers is an important academic and policy issue that have not been sufficiently addressed in literature (Barrios et al., 2017; Mahangila, 2014; Slemrod, 2024), prior studies have largely focused on corporations' tax compliance behaviours (Ben Othman et al., 2024; Otusanya, 2011; Mocanu et al., 2021). In addition, and despite the increasing anecdotal evidence and theoretical suggestions that social/psychological factors, including national pride and trust in government, play a crucial role in shaping taxpayers' behaviours and attitudes (Bar-Tal, 1993; Scholz & Lubell, 1998; Schatz et al., 1999), much of the existing literature have either mainly been descriptive in nature (Davis et al., 2003; Gangl et al., 2015; Macintyre & Torgler, 2024), or have largely focused on the effect of economic factors (e.g., tax rate, compliance costs, audit rate, tax penalty, income amount) on tax compliance behaviours (Andreoni et al., 1998; Farrar & King, 2023; Hofmann et al., 2008; Lavic, 2023; Schwebke et al., 2024; Slemrod, 2007).

In addition, studies that empirically examined the influence of social/psychological factors on individuals tax compliance behaviours, have largely been conducted in developed countries (Chen et al., 2024; Gangl et al., 2016; Konrad & Qari, 2012; Macintyre et al., 2023; Torgler, 2003a,b, 2004, 2005; Torgler & Schneider, 2005), with relatively few studies have been conducted in developing countries (Dwianika et al., 2023; Shair et al., 2023). Collectively, these studies show that social/psychological factors (i.e., national pride and trust in government) are important in influencing individuals' tax compliance behaviours. However,

these studies are limited in that they have been conducted in politically and socially stable environments in which legal systems were functional. This, arguably, may impair the current understanding of the extent to which national pride and trust in government can influence self-employed taxpayers' compliance behaviours in an environment of severe political instability, and where the legal system is dysfunctional. Prior studies (Mangena et al., 2012; Pearson & Clair, 1998) suggest that in environments with political and social instability, where the rule of law is dysfunctional, individuals may have more incentives to act in the best of their own interests, including not complying with tax laws, since in such environments effective prosecution are likely to be minimal. In this context, it is argued that social/psychological factors can play a critical role in influencing individuals' attitudes/behaviours (i.e., tax compliance behaviours), and may substitute for the dysfunctional legal systems (McEwan, 2006), since there is a moral obligation to comply with tax laws and pay taxes in order to protect community welfare and interests (Alm & Torgler, 2011).

Consequently, this study seeks to extend and contributes to the extant literature in a number of ways. First, distinct from past studies that have primarily focused on examining tax compliance behaviour and its determinants in corporations (Alshira'h et al., 2021; Alshira'h & Abdul-Jabbar, 2020; Bani-Khalid et al., 2022; Hanifah & Yudianto, 2019), this study contributes and extends previous research by offering evidence on tax compliance and its determinants among Libyan self-employed taxpayers. Second, unlike much of existing literature that have focused mainly on examining the impact of economic factors on tax compliance behaviours (Andreoni et al., 1998; Farrar & King, 2023; Hofmann et al., 2008; Lavic, 2023; Schwebke et al., 2024; Slemrod, 2007), this study contributes to past tax compliance literature by offering new evidence on the extent to which social/psychological factors (i.e., national pride and trust in government) can influence compliance behaviours among Libyan self-employed taxpayers. Finally, notwithstanding increasing suggestions that the political context in a country may play a role in shaping individuals feeling of national pride and their trust in government (D'Attoma, 2019; Gustavsson & Stendahl, 2020), and hence their tax compliance behaviours, much of the existing literature have been conducted in politically stable environments in which legal systems were functional. Therefore, this study contributes and extends existing literatures by offering timely evidence on the extent to which national pride and trust in government can influence self-employed taxpayers' tax compliance behaviours in an environment of severe political instability, where legal system is dysfunctional. Our findings show that lower levels of national pride and trust in government

among Libyan self-employed taxpayers may contribute to their engagement in tax non-compliance behaviours

The rest of this paper is structured as follows. Section 2 reviews the relevant theories underpinning this study and develops the hypotheses of the study. Section 3 describes the data and methodology, whilst sections 4 and 5 present and discuss the results, respectively. Section 6 provides the conclusion of the study.

## **2. Literature review**

### *2.1 Theoretical framework*

Prior studies have largely relied on economic and corporate governance theories (e.g., agency, resource dependence, neo-institutional theories) to examine issues relating to tax compliance behaviours (Ritsatos, 2014). Further, and according to Khatib et al. (2022a), there is a lack of studies that adopted behavioural theories when examining issues relating to tax compliance/disclosure. Therefore, and consistent with past studies (Batrancea et al., 2022; Dwianika et al., 2023), this study seeks to contribute to extant literature by employing two behavioural theories, which are social identity and slippery slope perspectives, to explain the association among national pride, trust in government and tax compliance behaviours.

Social identity theory was originally introduced by Henri Tajfel and John Turner in the 1970s and 1980s (Tajfel et al., 1971; Tajfel & Turner, 1979; Tajfel, 1981), when they have argued that individuals categorise themselves as belonging to different social groups/categories (i.e., based on their national identity) in order to build their own social identity. Further, social identity theory focuses on how group memberships/social identification influence intergroup behaviours/attitudes, as well as individuals' self-concept (Tajfel & Turner, 1979). Specifically, this theory suggests that social identification/group membership provides individuals with positive self-concept (i.e., feeling of love and being proud of one's country), and this can motivate individuals to engage in social behaviours that benefit their group's interests and welfare (Tajfel, 1981). In this case, national pride, as social identity, can play an important role in influencing taxpayers' tax compliance behaviours and their willingness to pay taxes (Xin-Li, 2010). It is argued that taxpayers, who have strong sense of national pride, are more willing to comply with tax rules and make economic sacrifices by paying their taxes, since doing so can improve their identification with their nation, as well as benefit their country (i.e., improving their country public services) (Chan, 2019).

In addition, and regarding slippery slope theory, this theory was introduced by Kirchler (2007) and Kirchler et al. (2008), and it integrates both psychological and economic assumptions of tax compliance. Specifically, this theory indicates that there are two main perspectives that can explain individuals' tax compliance behaviours, which are economic and psychological perspectives (Kirchler et al., 2008). According to the economic perspective of slippery slope theory, severe fines and frequent/efficient audits are powerful strategies to regulate individuals' tax compliance behaviours (Kastlunger et al., 2013). Further, slippery slope theory (economic perspectives), suggests that taxpayers who perceive their governments and tax authorities as trustworthy are more inclined to behave more ethical with respect to taxes, since failure to pay taxes may result in imposing severe penalties, including financial fines, criminal prosecution, and even imprisonment (Gangl et al., 2015, 2019). In addition, the psychological perspective of slippery slope theory (Güzel et al., 2019) indicates that taxpayers who perceive government/tax authorities as being supportive and working for their benefit and in the interest of the community, they are more motivated to align their norms/values with those of the wider community by complying with tax regulations and pay their taxes. Therefore, and based on the economic and psychological perspectives of slippery slope theory, it is expected that trust in government can influence the behaviours of taxpayers towards taxation, since if taxpayers perceive the government as trustworthy, they are likely to commit to its tax system and fulfil their tax obligations.

## *2.2 Empirical literature and hypothesis development*

### *2.2.1 National pride and tax non-compliance*

According to Smith and Jarkko (1998, p1), national pride refers to the “positive affect that the public feels towards their country as a result of their national identity. It is both the pride or sense of esteem that a person has for one's nation and the pride or self-esteem that a person derives from one's national identity”. Further, Alshira'h and Abdul-Jabbar (2020) define national pride as the positive devotion, feeling of love, and attachment to a country/state, which is often associated with a readiness to make sacrifices (i.e., paying their taxes) for the good of the country/state. Theoretically, and according to social identity theory, national pride, as social identity, can play an important role in influencing taxpayers' tax compliance behaviours and their willingness to pay taxes (Huddy & Khatib, 2007; Xin-Li, 2010). Specifically, social identity theory suggests that higher sense of national pride and love of a country/state can provide individuals with a positive self-concept by motivating them to sacrifice their self-interests for the sake of advancing their countries and fellow citizens' interests (Chan, 2019).

Social identity theory also indicates that strong sense of national pride and belonging to community can motivate individuals to engage in social behaviours that benefit their country and fellow citizens (Tajfel et al., 1971). Therefore, and according to social identity theory, taxpayers who have strong sense of national pride and belonging to their country are likely to make economic sacrifices by paying their taxes for the benefit of their country and fellow citizens' interests.

Empirically, prior studies have documented that being proud to be a member of one's own country is positively associated with promoting socially responsible behaviours, such as participating in blood or monetary donations (Skitka, 2005), contributing to society's social capital (e.g., not lying in their own interests; not claiming unjustified government benefits) (Whiteley et al., 1999), voting in elections (Huddy & Khatib, 2007), and engaging in pro-environmental activities (Aydin et al., 2022; Brieger, 2019). In terms of tax compliance, prior studies have largely reported that national pride is positively associated with high tax compliance behaviours (Alshira'h et al., 2021; Bani-Khalid et al., 2022; Hartner et al., 2011; Hanifah & Yudianto, 2019; Gangl et al., 2016; Konrad & Qari, 2012; Macintyre et al., 2023; Strielkowski & Čábelková, 2015; Torgler & Schneider, 2005; Wenzel, 2005; Yew et al., 2015). For example, and using a sample of 84 Austrians participants, Gangl et al. (2016) report that tax compliance can be improved through using patriotism/national pride as promotional tool. Similarly, prior studies report that national pride is positively associated with tax compliance behaviours in Latin America (Torgler, 2005), Central and Eastern European (Torgler, 2003a), and Asia (Torgler, 2004).

However, prior studies are limited in that they have been conducted in politically stable environment, and this, arguably, can impair the current understanding of the extent to which national pride can influence self-employed taxpayers' compliance behaviours in an environment of severe political instability, and where the legal system is dysfunctional. Following the 2011 revolution, Libya has become failed and politically divided state, with two rival governments, coupled with dysfunctional legal systems. This unfriendly political environment can impact negatively on taxpayers' self-concept (Torgler & Schneider, 2007), by making them feel unproud of their country and less motivated to sacrifice their self-interests for the sake of the country (i.e., not paying their taxes). Therefore, and based on this view, we hypothesise that:

*H1.* National pride has a positive and significant association with Libyan self-employed taxpayers' non-compliance behaviours.



### *2.2.2 Trust in government and tax non-compliance*

Trust in government refers to the public confidence in a government and its institutions to do what is perceived as right and fair (Easton, 1967). According to Murphy (2004), trust in government is a crucial element in increasing voluntary compliance with a wide range of public policies, including those relating to tax. Theoretically, Slippery slope theory (Kirchler et al., 2008), suggests that trust in governments can influence individuals' willingness and voluntary motivations to comply with public policies, including those relating to paying taxes. Specifically, slippery slope theory indicates that taxpayers, who perceive government and tax authorities as trustworthy, are more inclined to act in accordance with tax laws, including paying their taxes (Scholz & Lubell, 1998), as failure to comply with tax policies may result in imposing severe penalties, including financial fines, criminal prosecution, and even imprisonment (Gangl et al., 2015, 2019). In addition, slippery slope theory (Güzel et al., 2019) suggests that when the government operates in such a way that benefit its community (i.e., spend tax money responsibly and wisely), this increases taxpayers' confidence in the government, as well as their willingness to fulfil their tax obligations. However, the lack of trust in government can increase scepticism among taxpayers about how their tax contributions are spent, and this may impact negatively on their attitudes and behaviours towards taxation (Gangl et al., 2019; Roberts et al., 1994). Further, Beck and Dye (1982) and Jimenez and Iyer (2016), argue that when taxpayers lack trust in government, they begin to feel that tax liabilities are too high, and this, in turn, can impact negatively on their tax compliance behaviours. Therefore, and when there is a lack of trust in government, especially when the government fails in fulfilling its social, economic, and administrative responsibilities, taxpayers are likely to evade their taxes.

Empirically, prior studies have largely reported that trust in government has significant influence on compliance behaviours (Birskyte, 2014; Febrian & Islami, 2020; Gangl et al., 2013; Gobena & Van Dijke, 2016; Mas'ud et al., 2015; Muehlbacher et al., 2011; Scholz & Lubell, 1998; Song & Yarbrough, 1978; Torgler, 2003a, b, 2004; Ya'u et al., 2020). For example, and using the World Values Questionnaire, Torgler (2003a, b, 2004) report that taxpayers' willingness to fulfil their tax obligations is positively associated with the trust in government. Similarly, Song and Yarbrough (1978) provided evidence that trust in government is positively associated with tax compliance for a sample of 287 US taxpayers. In addition, and based on a survey of 392 Turkish independent accounting professionals, Güzel et al. (2019) report that tax compliance is positively related to their trust in government. Further, and using

an experimental approach to test taxpayers' motivations to comply with tax regulations, Wahl et al. (2010) find that high trust in government is positively associated with tax compliance behaviours.

Prior studies (Taing & Chang, 2021; Uadiale et al., 2010; Wintrobe & Gërkhani, 2004) have also reported that taxpayers, who lack trust in government, will often have a greater scepticism about how the taxes collected by the government are used, and as a result of this, they are more likely to engage in tax evasion behaviours. However, and despite increasing suggestions that political context in a country may play role in shaping individuals trust in government (D'Attoma, 2019), and hence their tax compliance behaviours, much of the existing literature have been conducted in politically stable environments in which legal systems were functional. This offers opportunity to contribute to the extant literature by examining the extent to which trust in government can influence self-employed taxpayers' tax compliance behaviours in an environment of severe political instability, where legal system is dysfunctional. It is argued that political instability can reduce trust in government, since it is often associated with "government instability, policy uncertainty, and disruptions in the implementation of fiscal policies", (Mai et al., 2023, p4), and this can reduce taxpayers' commitments to paying taxes. Political instability can also weaken the ability of government and its institutions to enforce polices relating to taxes (Kastlunger et al., 2013), and this can consequently reduce taxpayers' trust in government, as well as their willingness to fulfil their tax obligations. Therefore, we hypothesise that:

*H2.* Trust in government has a positive and significant association with Libyan self-employed taxpayers' non-compliance behaviours.

### **3. Methodology**

#### *3.1 Data and sample*

This study focused on the self-employed taxpayer population to achieve its research objectives. Due to political instability and security concerns in certain regions of Libya, it was not feasible to conduct the study across the entire country. As a result, this study focused on Libya's capital, Tripoli, for several reasons: (i) it is the largest city in Libya; (ii) the highest number of taxpayers work and reside there; and (iii) it serves as the country's primary hub for commercial and industrial activities. According to the 2015 Libyan Tax Authority report, there are 16,543 self-employed taxpayers in Tripoli, which is the total population of the current research. We have utilised Krejcie and Morgan's (1970) rule of thumb to determine the sample size of this study. Based on Krejcie and Morgan's (1970) rule of thumb, a sample size of 377 self-employed

taxpayers has been determined for the current study. However, and based on the recommendation Israel (1992), the sample size was increased in order to compensate for the possibility of low response rate. Prior studies (Ruhoma, 2015) indicated that a non-response rate of 30% was rampant in the context of self-employed individuals in Libya. Therefore, and in order to obtain an adequate sample, we increased our final sample size by 30%, and this resulted in having a final sample of 498 self-employed taxpayers.

With respect to the questionnaire design, it is divided into various sections, which began with a cover letter. This letter introduced the purpose and scope of the study, which also ensured to the respondents that their responses and identities will be treated confidentially. This is then followed by a section asking questions about the demographic characteristics of the respondents. Then comes a section containing questions about national pride, trust in government and tax non-compliance. In addition, and regarding the process of distrusting and collecting the questionnaires, the data collection began after obtaining the necessary ethical permissions. The researchers went to the General Tax Administration in the capital, Tripoli, where we obtained a list containing the tax number for each taxpayer. After obtaining this list, we adopted a simple random technique to identify the 498 respondents. The simple random method is adopted in this study for two main reasons. First, this sampling method is considered less biased and fairer as it allows random selections for the sample, which in turn reduces the bias of the researcher (Alshira'h & Abdul-Jabbar, 2020). Second, this technique provides an equal opportunity, where everyone in the total target population has an equal chance of being selected (Sekaran & Bougie, 2016). Therefore, this study utilised the random sampling technique.

Before distributing the questionnaires, and to ensure the relevance of the questions and reliability of the scale to the Libyan context, a pilot test was conducted. Specifically, a pilot study was conducted to enhance the clarity of questions and remove any vagueness in the questionnaire items, and based on the outcome of the pilot study, we made the necessary modifications on the questionnaire. Following this, the questionnaire was distributed to another 5 individuals (3 tax auditors in the Libyan tax authorities; and 2 are academics who are expert in the area of tax), who further reviewed the questionnaire and refined it to ensure its reliability and validity. Following this, we made very minor changes to questions phrasing, terminology and sequencing, and this helped in ensuring that the adopted questions and scales are valid, reliable and relevant to the Libyan context. In addition, and to encourage the respondents to provide reliable and honest answers, we explained the purposes and benefits of this study to the participants, as well as we reassured the confidentiality of their responses and identity.

Following this, the questionnaires were distributed to the 498 participants. After two months from distribution date of the questionnaires, 78 questionnaires were retrieved and only 75 of them with valid responses. Accordingly, the period was extended for an additional two months, and we have also made every effort, including making personal visits and telephone calls, to encourage taxpayers to participate in the questionnaire. At the end of the extended collection period, 245 questionnaires were collected, and 237 valid ones were determined. Therefore, the final sample size of this study is 312 taxpayers.

### *3.2 Research design*

This study has relied on primary data by utilising taxpayers' opinion survey method to collect research data because primary data is considered more accurate and reliable than secondary data, as well as using such data is more appropriate for studying and understanding non-compliance behaviours (Alshira'h et al., 2021). Sekaran and Bougie (2016) have recommended using this method as it allows researchers to collect data in a shorter time and administer a large number of questionnaires at the same time. Therefore, this study adopts this method as it saves time, effort, and money, as well as does not require professional skill to administer the questionnaire. Moreover, to investigate the variables experimentally, the current study adopts method of quantitative research methodology. The quantitative research methodology is adopted in this study because: (i) it is widely used in previous literature that examine issues relating to tax compliance behaviours (e.g., Alshira'h et al., 2021; Al-Ttaffi et al., 2021; Al-Ttaffi & Abdul-Jabbar, 2018); (ii) it is argued that quantitative research methodology is more appropriate approach when testing hypotheses and examining relationships among variables relevant to our study (Alshira'h et al., 2021; Alkurdi et al., 2024); (iii) quantitative research method provides more reliable and objective data, which can improve the generalisability of the obtained results (Sekaran & Bougie, 2016); and (iv) this research methodology can reduce research costs by allowing researchers to collect data using questionnaires, which can be administrated to a large number of taxpayers at a relatively low cost (Sekaran & Bougie, 2016). Therefore, this study employed a quantitative research methodology, using questionnaires as the primary tool for data collection. The questionnaires were distributed to a carefully chosen sample of self-employed taxpayers within the selected geographical area of Tripoli. The participants were self-employed individuals obliged to pay income tax in accordance with the Libyan Tax Law No. 7 of 2010.

### 3.3 Research variables

Consistent with past studies (Meier-Pesti & Kirchler, 2003; Roberts, 1994; Teo et al., 2008), all study variables were measured based on a five-point Likert type scale, which ranges from 1 = strongly disagree to 5 = strongly agree. In terms of the measurements of our study variables, we adapted 6 items from Robert (1994) to measure tax non-compliance behaviours. According to Hasseldine and Hite (2003) tax non-compliance is defined as failure to pay tax liabilities by taxpayers whether intentionally or not, and this measure assesses individuals' attitudes towards paying taxes. The scale and items of Rober (1994) were chosen because: (i) they have strong validity and reliability (See Tables 2 and 3); as well as they have widely been used by prior literature (Hasseldine & Hite, 2003; Kasipillai & Abdul-Jabbar, 2006) to measure non-compliance behaviours. The scale has 6 items, which are presented in *Panel A* of Table 1.

***Please Insert Table 1 about here***

With respect to national pride, Smith and Jarkko (1998) have defined this as people's positive feeling towards the homeland due to their national identity. Five items of national pride were adapted from Meier-Pesti and Kirchler (2003), and they are presented in *Panel B* of Table 1. We adapted Meier-Pesti and Kirchler's (2003) scale and items because they have been used by prior studies (Gangl et al., 2016), as well as the results of convergent and discriminant validity tests, as shown in *Panels A and B* of Table 2, are high, implying that our scale and items are reliable and valid measure of national pride. Finally, trust in government has been defined as people's confidence that government's agencies in their country are performing their duties satisfactorily for their benefit and service (Hardin, 1999). The scales and items included in this study to measure trust in government were based on the study Teo et al. (2008), and it consists of 4 items. We adapted the four items from Teo et al. (2008) because they have been used by prior tax compliance studies (Chen et al., 2015; Gangl et al., 2019), as well as the results of convergent and discriminant validity tests (see *Panels A and B* of Table 2), show that they are reliable and valid measure of trust in government. *Panel C* of Table 1 includes the items used to measure trust in the government. Further, and to ensure the relevance of scales/items to the Libyan context, we made adaptations on them, and we have tested for the convergent and discriminant validity of our variables, and the results, which reported in *Panels A and B* of Table 2, suggest that our measurements of national pride, trust in government and tax non-compliance are valid and reliable.

*Please Insert Table 2 about here*

#### **4. Empirical findings and discussion**

##### *4.1 Respondents' profiles*

Our study sample was made up of 312 Libyan self-employed taxpayers, the majority of respondents were male (83%). A large majority of respondents (about 71%) were between the ages of 30 and 50 years, whereas about 11% of respondents were under the age of 30 years, and 18% of respondents were over 50 years old. In terms of the education levels of respondents, about 61% of respondents had a bachelor's degree or above, 28% of respondents had high school diploma certificate, and this followed by 11% of respondents below the secondary school. Finally, and with respect to the source of income, the majority of respondents earned income from crafting (i.e., repair shops) (31%), professional (i.e., providing advisory services) (28%) and industrial (27%) related works, while 14% earned income from trading.

##### *4.2 Descriptive statistics and univariate analysis*

The descriptive statistics relating to study's variables are presented in Table 3. As shown in Table 3, the standard deviation of our variables is quite small, ranging from 1.118 to 1.174, indicating low variation in our data (Larson-Hall, 2010), which suggests that respondents' opinion towards national pride, trust in government and tax non-compliance variables are quite similar. With respect to the mean scores, and following Mas'ud (2016), the 5-point scale was classified into three categories: (i) low, if the mean scores are less than 2.33; moderate, if the mean score values are above 2.33 and less than 3.67; and (iii), high, if the scores are above 3.67. As shown in Table 3, the mean values of national pride and trust in government are 3.492 and 3.369, indicating that the respondents moderately agree that these two variables are important in explaining non-compliance behaviours among Libyan taxpayers. Further, the mean value of tax non-compliance is 3.278, indicating that respondents viewed tax non-compliance as moderate.

*Please Insert Table 3 about here*

Further, and following prior studies (Khatib et al., 2022b; Alkurdi et al., 2024), this study utilised the Variance Inflation Factor (VIF) to assess the extent of multicollinearity among the study variables. According to Al-Amosh et al. (2022a, b) and Hair et al. (1995) a VIF value of 10 or below indicates that there is no major problem of multicollinearity among study's variables. Our results (for brevity purposes are not presented here, but they are available upon

request), show that the VIF of the study variables are well-below the value of 10, suggesting no major problem of multicollinearity.

## **5. Result discussion**

This study examines the effect of national pride and trust in government on tax compliance behaviours in an environment of severe political crisis using survey data of Libyan self-employed taxpayer. Results of the PLS-SEM analysis<sup>1</sup> is presented in Table 4. Overall, the results suggest that national pride and trust in government have significant impact on tax non-compliance behaviours among Libyan self-employed taxpayers.

### *5.1 National pride and tax non-compliance*

Based on the results of the PLS-SEM analysis in Table 4, we found that national pride has an important impact on tax non-compliance behaviours of Libyan self-employed taxpayers. Specifically, our findings suggest that national pride has positive and significant association with tax non-compliance behaviours among Libyan self-employed taxpayers, implying that H1 is empirically supported. Empirically, this finding is not consistent with the results of past studies, which largely reported that national pride is positively associated with high tax compliance behaviours (Alshira'h et al., 2021; Bani-Khalid et al., 2022; Hartner et al., 2011; Hanifah & Yudianto, 2019; Gangl et al., 2016; Konrad & Qari, 2012; Macintyre et al., 2023; Strielkowski & Čábelková, 2015; Torgler & Schneider, 2005; Wenzel, 2005; Yew et al., 2015). However, our finding offers support to the expectation of social identity theory, which suggests taxpayers, who have low/weak sense of national pride and love of their countries, are more likely to focus on maximising their own interests rather than advancing their countries and fellow citizens' interests (Chan, 2019), and this can impact negatively on their tax compliance behaviours. This positive effect of national pride on tax non-compliance may also be due to the political instability of Libya. Specifically, and following the 2011 revolution, Libya has become failed and politically divided state, with two rival governments, coupled with dysfunctional legal systems. This unfriendly political environment can impact negatively on taxpayers' self-concept (Torgler & Schneider, 2007), by making them feel unproud of their country and less motivated to sacrifice their self-interests for the sake of the country (i.e., not paying their taxes).

***Please Insert Table 4 about here***

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<sup>1</sup>We have also performed Path analysis, and the results, which are not reported here for brevity purposes and available upon request, suggest that national pride and trust in government have significant effect on tax non-compliance behaviours among Libyan self-employed taxpayers.

### *5.2 Trust in government and tax non-compliance*

The findings reported in Table 4 also suggest that trust in government is positively and significantly associated with tax non-compliance behaviours among Libyan self-employed taxpayers, providing support for H2. This finding is in line with those reported by prior studies (Taing & Chang, 2021; Uadiale et al., 2010; Wintrobe & Gërkhani, 2004), which suggest that taxpayers, who lack trust in their governments, often have a greater scepticism about how the taxes collected by the government are used, and as a result of this, they are more likely to engage in tax evasion. Theoretically, the evidence of this positive impact lends support for slippery slope theory, which suggests that the lack of trust in government can increase scepticism among taxpayers about how their tax contributions are spent, and this may impact negatively on their attitudes and behaviours towards taxation (Gangl et al., 2019; Roberts et al., 1994). Our finding is also consistent with the views of Beck and Dye (1982) and Jimenez and Iyer (2016), who argue that when taxpayers lack trust in government, they begin to feel that tax liabilities are too high, and this, in turn, can impact negatively on their tax compliance behaviours. In addition, prior studies suggest that political context in a country may play a role in shaping individuals trust in government (D'Attoma, 2019; Gustavsson & Stendahl, 2020), and hence their tax compliance behaviours. Specifically, it is argued that political instability can reduce trust in government, since it is often associated with “government instability, policy uncertainty, and disruptions in the implementation of fiscal policies”, (Mai et al., 2023, p4), and this can reduce taxpayers’ commitments to paying taxes. Political instability can also weaken the ability of government and its institutions to enforce polices relating to taxes (Kastlunger et al., 2013), and this can consequently reduce taxpayers’ trust in government, as well as their willingness to fulfil their tax obligations. Therefore, and when there is a lack of trust in government, especially when the government fails in fulfilling its social, economic, and administrative responsibilities, taxpayers are likely to evade their taxes.

### **6. Conclusions, implications and limitations**

The current study has empirically examined the effect of national pride and trust in government on tax compliance behaviours in an environment of severe political crisis using survey data of Libyan self-employed taxpayer. Tax non-compliance is an important issue for governments worldwide, hence previous studies have strived to understand the determinants that are associated with engaging in such behaviour. However, previous studies have either: (i) focused on corporations’ tax compliance behaviours (Ben Othman et al., 2024; Otusanya, 2011; Mocanu et al., 2021); (ii) been descriptive in nature (Davis et al., 2003; Gangl et al., 2015;



Macintyre & Torgler, 2024); (iii) focused on the effect of economic factors (e.g., tax rate, compliance costs, audit rate, tax penalty, income amount) on tax compliance behaviours (Andreoni et al., 1998; Farrar & King, 2023; Hofmann et al., 2008; Lavic, 2023; Schwebke et al., 2024; Slemrod, 2007); and (iv) been conducted in politically stable environments in which legal systems were functional. Therefore, this study contributes and extends the existing literature by offering timely evidence on the extent to which national pride and trust in government can influence self-employed taxpayers' tax compliance behaviours in an environment of severe political instability, where legal system is dysfunctional.

### *6.1 Research implications and policy recommendations*

This study offers new and significant insights into psychological and social factors that influence tax compliance behaviours of self-employed taxpayers, especially in a unique context of severe political instability. Therefore, the study's findings have important implications to governments, policymakers, tax authorities, and researchers. Specifically, our findings show that national pride and trust in government are positively and significantly associated with tax non-compliance behaviours among Libyan self-employed taxpayers. These findings can serve as a motivation for the Libyan government, policymakers and tax authorities to develop strategies aimed at enhancing national pride and trust in government, and consequently improve tax compliance behaviours. This is because promoting a high sense of national pride and trust in government can encourage collective responsibility and reduce social fragmentation, which is crucial for a country like Libya that has faced significant political and social challenges. The Libyan government and tax authorities may encourage self-employed taxpayers' feeling of national pride and trust in government by implementing policies that increase transparency and accountability, such as publishing regulatory reports on how tax revenues are utilised and strengthening anti-corruption measures to ensure that tax revenues are not siphoned off through fraud and corruption.

The Libyan authorities may also improve self-employed taxpayers' feeling of national pride and trust in government by taking actions that prioritise public's interests, such as making significant improvements in the education, health and infrastructure services. By making significant improvements in public services that improve citizens' quality of life, the Libyan government can foster individuals' sense of national pride and trust in government, and hence, may positively influence their tax compliance behaviours. In addition, the Libyan government and tax authorities are encouraged to launch educational programs that are designed to foster a stronger sense national pride and trust in governmental institutions, including initiating

programs to educate public about the importance of taxation in generating revenues, achieving economic prosperity, safeguarding local industries, and protecting community welfare and interests, and all of which can be achieved through tax compliance. Supporting cultural initiatives that foster a high sense of national pride and trust in government can also significantly enhance tax compliance behaviours among Libyan self-employed taxpayers. For example, the Libyan authorities may promote tax compliance by supporting cultural initiatives (e.g., investing in preserving cultural sites and promoting culture through organising cultural festivals), because when citizen see their history and cultural achievements preserved and celebrated this can demonstrate government's commitment to citizens' values and heritage, as well as make citizen more aware of their shared heritage and collective achievements. This, consequently, can promote strong national identity and enhance trust in government by encouraging individuals to contribute to improving their community welfare through tax compliance. In addition, the Libyan tax authority may need to review the current tax laws and impose sufficient sanctions to improve compliance behaviours among taxpayers. Our findings also offer important implication to researchers, since we provide early evidence on the influence of national pride and trust in government on tax compliance behaviours in an environment of severe political instability, where legal system is dysfunctional, and hence future studies may rely on our evidence to better understand other determinants of tax non-compliance behaviours in such unfriendly political and social environment.

However, there are several potential challenges and limitations of implementing the above recommendations in an environment of severe political instability. For example, political instability can lead to weakened governmental institutions that lack credibility and capacity to carry out complex initiatives (e.g., cultural and tax initiatives), and this in turn, can impact negatively individuals' sense of national pride, trust in government, and their attitudes and behaviours towards paying taxes. In addition, in an environment with severe political instability, individuals may lack trust in government and its institutions, seeing them as corrupt or ineffective, and this can impair any efforts to enhance tax compliance through fostering a high sense of national pride and trust in government. Similarly, in a in divided state like Libya, with two rival governments, promoting a strong sense of national pride can be challenging, making it hard to implement unified national programs that promote tax compliance. Additionally, political instability can lead to fragmented communication channels, making it difficult to effectively reach the public, and this can negatively influence citizens' sense of national pride and trust in government, as well as their willingness to fulfil their tax obligations. Further, the ongoing conflict and severe political instability in Libya may hinder the safe and

effective collection of taxes, practically in areas controlled by non-state actors. Finally, political instability is often accompanied by economic hardships, which can lead to resistance to paying taxes. In such an environment, individuals may focus on immediate survival rather than long-term benefits, especially if they believe that they are not receiving sufficient services in return.

### *6.2 Research limitations and opportunities for future studies*

Finally, and despite of its importance, the current study has some limitations that need to be noted. For example, and similar to past tax compliance studies, our study relied on taxpayers' self-reporting method to measure their tax compliance behaviours. However, this method may not necessarily represent the actual behaviour of taxpayers, since it depends on taxpayers' judgement, which can vary among respondents (Al-Taffi et al., 2021). Therefore, and to minimise taxpayers' personal bias, future studies may need to complement taxpayers' self-reporting method by using official data. In addition, the simple random method is adopted as a sampling technique, however this method can be biased as it assumes that study population is homogeneous, however this is not always the case as if the population is heterogeneous, the representation of the full population can be skewed, resulting in not having accurate representation of the whole sample (Stanley, 2005). Therefore, future studies can use additional sampling methods, such as stratified sampling technique, to overcome this limitation. Additionally, in an environment of political crisis, political affiliation can be an important variable that can influence tax non-compliance behaviour. However, and due to unavailability of such data, we did not include such variable in this study, and hence future study may examine the effect of political affiliation on tax non-compliance behaviours. Finally, this study has only included taxpayers, who live in Tripoli, in the study sample, and hence caution should be taken when generalising the findings of this study to other parts of Libya. Accordingly, future study may extend our research by tax compliance behaviours among taxpayers in the other parts of the country.

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**Table 1.** Measurements of study variables

<b>Variables</b>	<b>Items</b>
<i>Panel A: Tax Non-Compliance</i>	<ol style="list-style-type: none"><li>1. I do not declare the trade of goods/services to Libyan tax authority.</li><li>2. When paid in cash for goods/services, I do not declare this to the Libyan tax authority.</li><li>3. I think it is acceptable to make small/not tax contribution, particularly given that rich individuals make no tax contributions.</li><li>4. It is not clear to me whether I can claim deductions on my tax liabilities, hence I prefer to pay low/no tax contributions, whenever possible.</li><li>5. I think it is acceptable to pay low/no taxes, especially with the increase of living costs in Libya.</li><li>6. I think it is acceptable to under-report some of my income, since this will not have an impact on anyone.</li></ol>
<i>Panel B: National Pride</i>	<ol style="list-style-type: none"><li>1. I am immensely proud of my country, Libya.</li><li>2. I am proud to be well connected with other Libyan people.</li><li>3. I love being Libyan.</li><li>4. I love Libya.</li><li>5. Libya is all that matters to me.</li></ol>
<i>Panel C: Trust in Government</i>	<ol style="list-style-type: none"><li>1. The Libyan government acts in way that benefits the Libyan community welfare and interests.</li><li>2. I am happy to interact with the government as I believe that it has been successful in fulfilling its responsibilities.</li><li>3. I believe that the Libyan government is doing its part for nation.</li><li>4. I am happy to rely on the Libyan government in delivering its obligations.</li></ol>

**Source:** Table created by authors

**Table 2.** Assessment of convergent and discriminant validity

<i>Panel A: Convergent validity</i>					
Variables	Items	Factor loadings	Cronbach's alpha	Composite reliability	Average variance extracted
National Pride (NAPD)	NAPD1	0.867	0.914	0.940	0.796
	NAPD2	0.909			
	NAPD3	0.888			
	NAPD4	0.904			
Trust in Government (TIGOV)	TIGOV1	0.882	0.920	0.943	0.806
	TIGOV2	0.913			
	TIGOV3	0.901			
	TIGOV4	0.895			
Tax Non-compliance (TXNC)	TXNC1	0.881	0.947	0.958	0.791
	TXNC2	0.899			
	TXNC3	0.908			
	TXNC4	0.900			
	TXNC5	0.917			
	TXNC6	0.830			
<i>Panel B: Discriminant validity</i>					
			NAPD	TIGOV	TXNC
National Pride (NAPD)			0.892		
Trust in Government (TIGOV)			0.809	0.898	
Tax Non-compliance (TXNC)			0.709	0.655	0.889

**Source:** Table created by authors

**Table 3.** Descriptive statistics

Variables	Mean	Std. Dev.	Min	Max
NAPD	3.4920	1.16553	1.00	5.00
TIGOV	3.3686	1.11766	1.00	5.00
TXNC	3.2783	1.17384	1.00	5.00

**Source:** Table created by authors

**Table 4.** The impact of national pride and trust in government on tax non-compliance behaviours

Relationship	Path coefficient	Std. Dev.	T-value	P-value	Decision
NAPD -> TXNC	0.518***	0.078	6.639	0.000	Supported
TIGOV -> TXNC	0.237***	0.089	2.668	0.008	Supported

\*\*\* indicates significance at the 1% level ( $p < 0.01$ ).

**Source:** Table created by authors