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**AN INVESTIGATION OF FACTORS AFFECTING SALARIED AND WAGED
TAXPAYER COMPLIANCE BEHAVIOR: EVIDENCE FROM LIBYA**

By:

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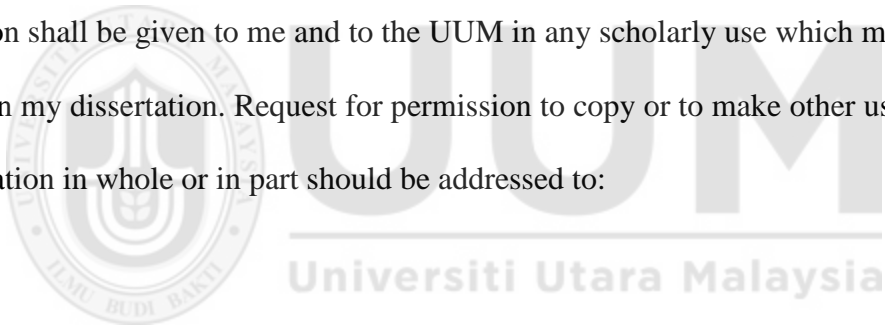


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ABSTRACT

Convincing taxpayers to comply with the tax regulations has been the main challenge of Libyan tax authority. Even though tax is one of the important revenue sources after oil in Libya, over the last five years, tax collection has been on decrease trend. The main purpose of this study is to examine the effect of tax knowledge, tax complexity, public governance quality and perception of government spending on salaried and waged taxpayer compliance behavior in Libya. The study was guided by cognitive theory and social exchange theory which explain the effect of non-economic factors. Using survey method, a total of 400 questionnaires were distributed among Libyan students in Malaysia since they are considered part of individual taxpayers in Libya. The findings indicate positive and significant relationship between tax knowledge, public governance quality, perception of government spending and taxpayer compliance behavior, except tax complexity that shows a significant negative relationship with taxpayer compliance behavior. The study recommends that the tax legislations should be reviewed and simplified besides promoting tax knowledge among taxpayers. In addition, Libyan government should also place attention on public governance quality and government spending in order to increase taxpayer compliance behavior.

Key words: taxation, taxpayer compliance behavior, tax knowledge, government, Libya.

ABSTRAK

Meyakinkan pembayar cukai untuk mematuhi peraturan cukai telah menjadi cabaran utama kepada pihak berkuasa percukaian Libya. Walaupun cukai adalah salah satu sumber hasil yang penting selepas minyak di Libya, dalam tempoh lima tahun yang lalu, kutipan cukai mengalami tren penurunan. Tujuan utama kajian ini adalah untuk mengkaji kesan pengetahuan cukai, kerumitan cukai, kualiti tadbir urus awam dan persepsi perbelanjaan kerajaan ke atas gelagat kepatuhan pembayar cukai di Libya. Kajian ini didokong oleh teori kognitif dan teori pertukaran sosial yang menerangkan kesan faktor-faktor bukan ekonomi. Menggunakan kaedah tinjauan, sebanyak 400 soal selidik telah diedarkan di kalangan pelajar Libya di Malaysia kerana mereka adalah sebahagian daripada pembayar cukai individu di Libya. Dapatan menunjukkan hubungan yang positif dan signifikan di antara pengetahuan cukai, kualiti tadbir urus awam, persepsi perbelanjaan kerajaan dan gelagat kepatuhan cukai kecuali kerumitan cukai yang menunjukkan hubungan negatif yang signifikan dengan gelagat kepatuhan pembayar cukai. Kajian ini mencadangkan undang-undang cukai perlu dikaji semula dan dipermudahkan di samping mempromosi pengetahuan cukai di kalangan pembayar cukai. Selain daripada itu, Kerajaan Libya juga perlu memberi perhatian terhadap kualiti tadbir urus awam dan perbelanjaan kerajaan untuk meningkatkan gelagat kepatuhan pembayar cukai.

Kata kunci: percukaian, gelagat kepatuhan pembayar cukai, pengetahuan cukai, kerajaan, Libya.

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In the name of ALLAH, the most gracious, the most merciful. Praise be to ALLAH, the creator and custodian of the universe. Salawat and Salam to our Prophet Muhammad, peace and blessings of ALLAH are upon him and to his family members, companions and followers.

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LIST OF ABBREVIATIONS

TCB	Tax Compliance Behavior
TK	Tax Knowledge
TC	Tax Complexity
PGQ	Public Governance Quality
PGS	Perception of Government Spending
SPSS	Statistical Package for the Social Science



CHAPTER ONE INTRODUCTION

This chapter highlighted and clarifies the basis and outline of the study by presenting an overview of the research, with the introduction of the study background, problem statement, the research questions as well as the objectives and subsequently the scope of study, the significance and lastly contribution of the study.

1.1 Background of Study

Taxation is one of the major resources of government revenue for both developing and developed countries. The term tax clearly means an essential fee imposed by the government as a public authority to run the affairs of the state. This tax is being collected by the government and nothing is directly received in return, except for the provision of a safe society and necessary basic necessities being provided by the government directly to its citizenry as a direct governance responsibility (James & Nobes, 1992). Nightingale, (2001) defined tax as obligatory contribution which is directly imposed by the public authorities. The taxpayers receive nothing detectable in return, except the benefit of a good living standard and provision of the basic amenities like the education, healthcare and security in the society. Furthermore, taxation is considered the price to be paid as an organized society. Six motives as an organized society have been highlighted for the need of the taxation system in the society, these include: the provision of good roads by the government for the citizenry, redistribution of wealth and income through various channels, promotion of social and economic welfare to the people, provision of government regulation in the society for economic stability and harmonization (Nightingale, 2001).

The fiscal development of a nation is considered an essential factor in the world. The presence of the governance structure and infrastructure is required for the economic growth and stability of a nation. The absences of the public services provisions by the public authority sabotage the efforts of the government to provide the basic essential living standards to its citizenry, most especially in the developing countries. This can led to the slow down towards the economic growth. The problem that had resulted to failure on the part of most government of the developing nations to provide the basic public services among other factors identified is the problem of the lack is tax revenue. The revenue generated from the collection of tax in a country is considered as the major factor that help the government to run the country and provide the public services required by the citizenry (Mughal & Akram, 2012).

The main issue in the revenue generation by the government through the tax system is the level of compliance by taxpayers, the lack of compliance by the taxpayers serves as a cornerstone to the government in respect to revenue collection. This poses a serious problem to the public authority and its ability to achieve its fiscal and social goals and targets (Tan & Sawyer, 2003). The level of compliance by the taxpayers influences the level of tax generation by the government, which will in turn determine the extent in which the public authority can provide the public services required by the society (Wenzel, 2003).

The concern of low compliance by the taxpayers, shows low revenue generation and loss to the government. The low tax compliance can also establish heavy burden on the sincere taxpayers, leading to disrespect to the public authority and the tax system it created. Therefore, a lot of administrations placed huge effort in addressing the challenges of low compliance and identifying

means to enforce the tax compliance. The most essential approach employed by the tax authority is the identifying of variables that influence the compliance behavior, among the taxpayers and developed the appropriate measure and policies to improve the tax compliance behavior.

Thus, the tax compliance issue is a practical worldwide spectacle that transcends cultural and political borders, this can happen in any economic system and society in general. Several studies had explained the behavior of the tax compliance in a more real phenomenon. The studies emphasize on the compliance factors, which are categorized base on economic and non-economic factors respectively (Nzioki & Peter, 2014).

Based on Mohd Isa (2012) various tax administrations have become more concerned with raising the level of voluntary compliance from the taxpaying society. The strategy of improving the level of voluntary tax compliance voluntarily is important mainly because from the perspective of enforced compliance policy is not constantly cost-effective. Therefore, it is the duty of the tax administration to take all the required and potential measures to increase the level of the voluntary compliance amid of the tax.

Ways to improve the voluntary compliance among the taxpayers includes: providing excellent taxpayers that generate a long-term results (for example pay higher tax and decrease in the tax gap) and enforcement of compliance activities. Numerous tax authorities aim to achieve higher voluntary compliance through several tax improvements which includes: moving from an official-assessment system (OAS) to a self-assessment system (SAS). Therefore, SAS is accepted as a modern system of the tax authorities in many countries. Numerous countries had implemented

SAS in order to provide a better process of tax administration such as Australia (1986-1987) New Zealand, (1988) Canada, (1910) United Kingdom (1996-1997) Pakistan, (1979), Bangladesh, (1984) and Malaysia, (2004). SAS is generally preferred as a means of decreasing administration costs, improving the voluntary compliance rates and facilitating the means of tax collections (Hansford, Loo, & McKerchar, 2005). Taxpayers are given the chance by law to assess themselves in order to file in a precise tax returns under SAS, this helps the taxpayers to assess themselves properly, and the individual taxpayers need full understanding and knowledge with regards to the tax laws. The knowledge and understanding of the tax laws would assist the taxpayers to accept the notion of voluntarily compliance (Yahaya, 2015).

However, the economic policy in Libya has not previously depended on taxes as a tool for the public authority in order to provide the required public services to the citizens of the country. There are numerous factors that contributed towards the government capabilities in the provision of the basic standards of living to its citizenry, these include the abundance of natural resources such as crude oil. This has contributed to the increase in the size of public expenditure, which was financed through the monetary issuance to the public. Moreover, the Libyan government relies only on one resource which is oil, to fund their entire budget. The absence of a specific taxation system has resulted to the instability in the Libyan economy, poor and unjustifiable distribution of wealth and income to the member of the society. The Libyan authorities' effort to diversify its revenue base since the mid-1980s and the government plans to develop the taxation system.

Due to the drop and instability in the oil prices in the market (and customs revenues) the government funding was particularly affected, due to the fall in the oil prices to \$13.5 per barrel

in the mid-1980s, the Libyan authority employ all measures in order to diversify their economy and relieve its over dependence on the oil bases economy and move towards a transition to a free-market economy.

The use of tax by the authorities is a necessary tool to finance the expenditure of the state, and development of a taxation system suitable to the requirements of a free market and economic globalization process. Therefore the optimal of the taxation system by the public authorities is essential. This is a necessary tool for the industrialized countries in the world; most of them upon depend on the tax system to achieve a greater development. The extent that the tax is regarded as successful tool, the society can use it for several purposes such as encouragement of economic activities, controlling of economic phenomenon and limiting undesired and unfavorable economic activities.

Based on the above economical issues, the Libyan authority is considering how best to utilize its tax system in the search for alternative (non-oil) resources, which it can use to cover expenses and to achieve more sustainable economic development. Moreover, the Libyan government is fuelling the development of economic activity outside the oil sector by encouraging foreign and local investment in the non-oil sector in order to achieve tax revenues (Abdalaziz, 2012).

Furthermore, the issues highlighted discover that is been faced by the Libyan tax system in particular and the economic in general is a report from the Audit Bureau which was issued in 2014, the report clearly highlighted the contribution of the non-oil revenue from the collection of taxes from the taxpayers, and obstacles encountered due to the drop in the oil prices worldwide and

decrease in government tax revenue collection. The report shows a drop in the total government revenue in from LYD 2,243,147 in 2009 and 687,676,487 in 2012. There was a decrease in the tax revenue from 838,837 in 2013 to 660,869 in 2014 (Libyan Audit Bureau, annual general report, 2014).

The issues that resulted to the drop in the government revenues are due to the several reasons faced by the tax system of government, this problems includes; multiple taxation enforced by the government due to many economic activities like specific tax, income tax, jihad tax, Palestine tax, tax to support the national companies, central bank of Libya tax and the stamp duty tax.

Abdalaziz (2012) it is discovered that a lot of sectors in the Libyan economy work outside the law and this sectors are referred to as the informal economy (black economy) which comprises of several activities in most of the major markets in the country, with some working as street vendors and the informal foreign national with illegal employment. Lastly, the motivation to pay tax by most of the members in the Libya society spirit is not there, this is a serious setback for the public authority, considering the shortage in the provision of public services by the public authorities like the basic services provided by the state like assess to education, public health care facilities, housing and public services which is the responsibility of the public authorities, provided the society comply to the tax payment. This is considered the basic function of government to its citizenry.

Based on the above issues raised, the tax revenue collected by the Libyan government is considered as reducing, there is a justification for research in this area, to ascertain the factors affecting the

tax compliance behavior from individual taxpayers in Libya. Several variables consider as predictors for taxpayer compliance behavior are identified which includes: tax knowledge, tax complexity, public governance quality and perception of government spending.

1.2 Problem Statement

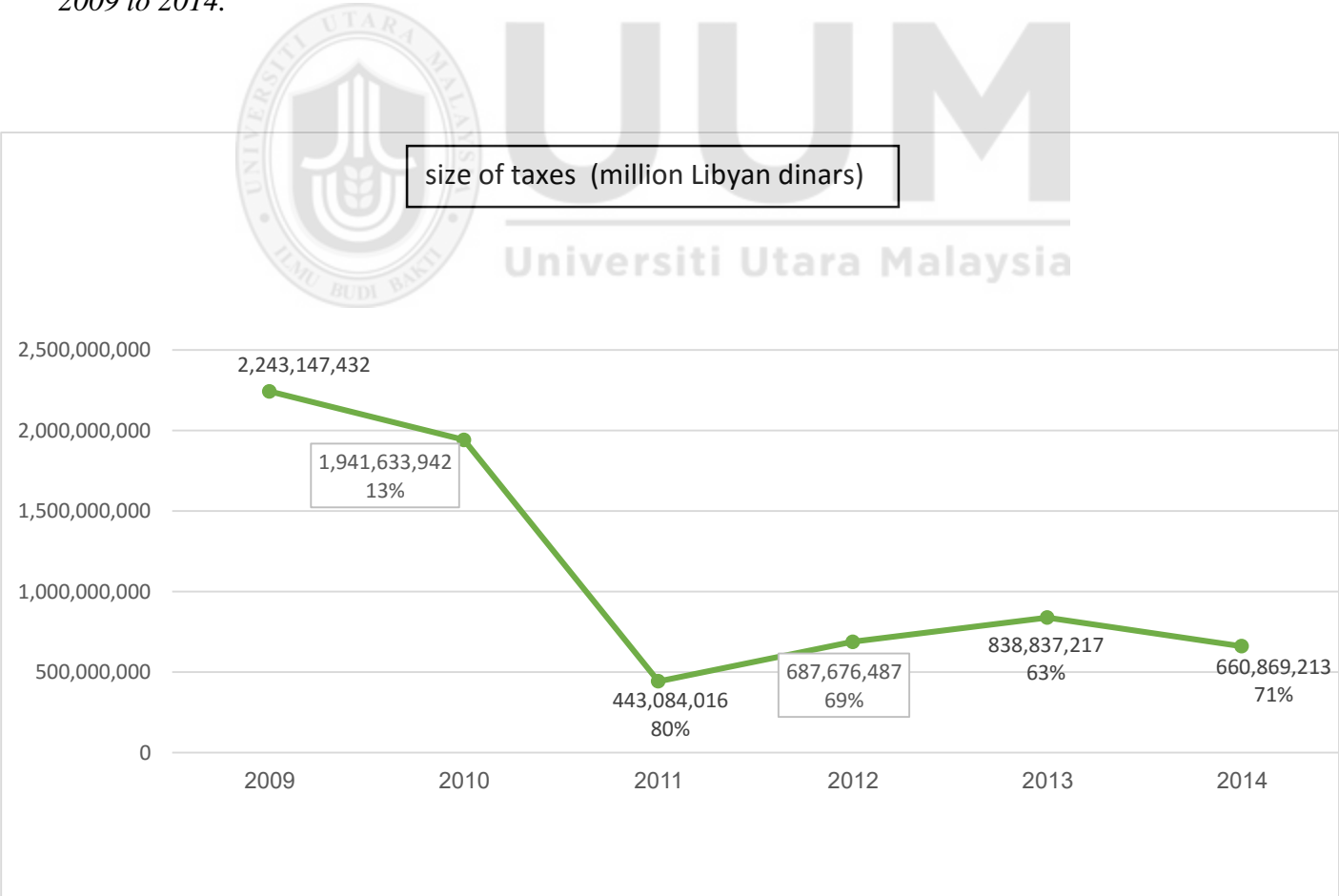
The objective of the income tax system is to generate revenue from taxation for government expenditures, although the government has other way to obtain and increase revenues, for example from the oil revenue. However, the public authorities practice to impose tax on the public, in order to finance its economic requirements. Thus, tax is regarded as a viable means for the government to source revenue for its activities (Bibisso, 2014).

Similarly, this situation occurs in Libya, and tax is regarded as the second source of government revenues. Therefore, the tax compliance issues are posing a greater concern by the tax authority. The absence of tax compliance, reduced the level of revenues anticipated by the government has limit the government capabilities in providing the required public service. The problem of low tax compliance continues to exist, even though the Libyan government reforms the tax system, in order to increase the tax revenues. The problem still exists over the years. Among the reforms undertaken by the Libyan government was in 2011 to introduce law No.27, to replace the previous law established in 1981, i.e. Law No.15. The law is regarding the increase in the wages and salaries of the Libyan workforce by 100% of the previous salary and wage scale. This is to improve the financial standards and conditions of the citizenry and also the method of imposing of tax on the workers' salaries to generate more tax revenues.

Although, a report from the Libyan audit bureau shows that, the personal income tax has continued to pose difficulties in the Libyan tax system, for example, the statistical data indicates the contributions of the non-oil revenues generated from the income tax to the total government revenues dropped drastically from 2,243,147 billion Libyan Dinar (LYD) in 2009 and to 660,869 billion LYD in 2014. The tax collection is not stable between years 2009 to 2014 as shown in the figure 1.1.

Figure 1.1

The line chart shows the decrease in annual tax revenue in the Libya state during the period from 2009 to 2014.



Source: Libyan Audit Bureau, annual general report 2014 p. 48.

In comparison with the tax revenue generated in 2009, to assess the ascending or descending movements in the tax revenues the approximation displays that tax revenue has a decreasing movement of the specific period for example the tax revenues of 2010 is reduced by 13% in comparison to that of 2009. It further decreased in 2011 by 80% and tax revenue is also dropped by 69% in 2012. In year 2013, it increased slightly compared with 2012 and decreased again in year 2014 by 71%. If we compare it with the tax revenue in 2009 which shows a drastically decreased.

This trend illustrates the decrease in the tax revenue, these statistical figures shows a significant problem for the Libyan government in respect of the tax system, it shows a drastic decrease and slightly increase over the years, which resulted to the instability in the tax system of government. Based on, Jewell and Sdravovich (2015) the tax system of the Libyan government is not justifiable and it is questionable, this might be some reasons that cause the instability of the government tax system and the low tax compliance. Ruhoma (2015) also mentioned that the Libyan tax system has suffered from absence of transparency and fairness and this had led to the decrease in the revenues obtained from tax collection.

Table 1.1*Libyan state resources*

Year	Sovereign resources	Oil resources	Total Oil resources &
	LYD	LYD	Sovereign resources
2010	LYD 3,409,023,565	LYD 55,713,034,430	LYD 59, 122,057,995
2011	698,256,770	15,845,583,527	16,543,840,297
2012	3,199,142,218	66,932,291,298	70,131,433,516
2013	2,987,956,989	51,775,823,594	54,763,780,583
2014	1,566,658,170*	19,976,636,426	22,594,696,513
Total	7,753,757,377	138,684,751,318	147,489,910,612

Source: Libyan Audit Bureau, annual general report 2014 p. 41.

*Note: Through the table above illustrates the weakness of the efficiency of the collection of sovereign revenues in 2014.

From the above table, the figures indicate that the sovereign revenue has dropped and instable, which resulted that the government revenues in general budget has been significantly lost by LYD 1,842,365 billion, if compared with the sovereign revenue generated between years 2010 to 2014.

Table 1.2*Sovereign Revenues*

Statement	Actually get even 31/12/2014	The estimated value of the general budget revenue	Deficit	Percentage
Tax returns	660,869,213	LYD 900,000,000	(239,130,787)	(27%)
Customs returns	59,540,953	700,000,000	(640,459,047)	(91%)
General services fees	195,506,822	398,155,000	(202,648,178)	(51%)
Communications	410,889,002	250,000,000	160,889,002	64%
CBL Profit distribution	0	2,500,000,000	(2,500,000,000)	(100%)
Revenues of prices budget fund	2,615,104	300,000,000	(297,384,896)	(99%)
Local market fuel Sales revenues	88,624,471	1,000,000,000	(911,375,529)	(91%)
Other revenues	148,621,226	-	148,621,226	100%
Total	1,566,666,791	6,048,155,000	(4,481,488,209)	(74%)

Source: Libyan Audit Bureau, annual general report 2014 p. 46.

The above table shows that the sovereign revenues include all the government revenues sources with exception to oil. Law No. 13 of 2014 on Approval of General Budget of 2014 estimated the sovereign revenues in LYD 6,048 billion, but the actual collected amount was only LYD 1,566 billion, this indicates that the deficit in sovereign revenues has exceeded LYD 4 billion. Hence, it can be observed from sovereign revenues that the tax and customs revenues recorded a deficit of

27% and 91% respectively, i.e. LYD 239,130,787 and 640,459,047 billion as shown in the shaded cells of the above table.

A report issued by the Libyan Audit Bureau in 2014, shows some of the reasons for the decline of tax collected by the tax authority over the last five years, the reason among other reasons is there was the failure to include a large number of financiers who did not provide a report (correctly) regarding the actual income related to their activities. Thus, Ali (2015) also mentioned that insufficient and not enough tax revenue for the development of the country caused by the low in collecting of taxes has a serious harm for the economy of Libya and hence the government can only offer poor quality services.

Based on the Transparency International's Quarterly Newsletter, (2014) report on the oil producing nation have significantly contributed towards the growth and economic stability of the world economies. Therefore, it is essential to study the point of views of these nations in the area of international economic difficulties, such as tax compliance issues, Libyan is considered as one of the oil producing nation and classified among the least developed nations suffering from the significant corruption issues (Transparency International's Quarterly Newsletter, 2014). The problems include; the administrative and financial corruption and the behavior of taxpayers towards tax compliance. Most studies regarding the tax compliance behavior of individuals has been conducted in the developed countries and some of the developing countries. This area of study has been neglected; a lot of study in the area had not been done most especially in the perspective of tax compliance in the oil producing regions.

According to the research conducted by Berhane (2011) that exposed the audit rates and the increased income results in the process of tax compliance. This also helps in the decrease in the rate of low tax compliance by individuals.

1.3 Research Questions

This section presents the following questions in order to address the issue on the factors that affect the taxpayer compliance behavior in the Libyan perspectives.

- i. What is the effect of tax knowledge on taxpayer compliance behavior in Libya?
- ii. What is the effect of tax complexity on taxpayer compliance behavior in Libya?
- iii. What is the effect of public governance quality on taxpayer compliance behavior in Libya?
- iv. What is the effect of perceptions of government spending on taxpayer compliance behavior in Libya?

1.4 Research Objectives

The main objective of the research is to examine the factors effecting taxpayer compliance behavior in Libya, the study aims at achieving the following objectives below:

- i. To examine the effect of tax knowledge on taxpayer compliance behavior in Libya.
- ii. To examine the effect of tax complexity on taxpayer compliance behavior in Libya.
- iii. To examine the effect of public governance quality on taxpayer compliance behavior in Libya.
- iv. To examine the effect of perception government spending on taxpayer compliance behavior in Libya.

1.5 Scope of Study

This research investigates the taxpayer compliance behavior in Libya, the study tends to examine the behavior of the working class adults, public and private sectors, individuals which are considered the target population of respondents for the study.

A sample is drawn from the population, due to the large number of targeted population, this sample represents the entire population of study, as it is difficult to carry out study in Libyan country due to the time frame for the completion of this study as well as the problems and political conflicts in the country and the weaknesses of internet services and also the website of the Tripoli Tax Authority is not available, therefore, the study was conducted among Libyan students in Malaysia since they are considered part of individual taxpayers in Libya, the results obtained is used to generalize to the general population under study.

The intention of this study is to examine the effect of tax knowledge, tax complexity, public governance quality and the perceptions of government spending on taxpayer compliance behavior, and moreover, the tax compliance involves substantial factors which cannot be elaborated completely.

1.6 Significant of Study

This study provides useful information which can be used by the government, the research presents practical implication to enhance the tax compliance level by the individual taxpayers in Libya for the overhaul economy growth and stability of the country. The research findings can be used by the Libyan tax authority to devise a means, in the tax collection and tax compliance challenges,

and also to the taxpayers, the research provides an insight on the difficulties faced by the Libyan authority to enforce the tax compliance by individuals taxpayers. The study also presents factors that can be used to address the challenges of tax compliance by the taxpayers in Libya; furthermore, the research will assist the Libyan government of ways of addressing the challenges faced by the tax authority and improving the tax compliance level.

1.7 Contribution of Study

1.7.1 Theoretical Contributions

According to the extensive literature in the area of the study, there are several factors that are influencing the taxpayer compliance behavior, these factors include; tax knowledge, public governance quality, tax fairness, tax complexity, demographic factors like age, gender and so on. Therefore, this study identified and provides an insight on the effect of tax knowledge, tax complexity, public quality and the perception of government spending by the taxpayers and also the restraining factors on the tax compliance behavior of taxpayers in the developing nations. This study might help to build a little literature based on the tax compliance in developing nations.

1.7.2 Practical Contributions

This study presents and provide useful information that can be used and utilized by the tax authority, the individual taxpayers and the tax agents, for the tax authority, the research contributes positively in ascertaining the individual taxpayers compliance influential variables and further examining the taxpayer attitudes towards these variables. These factors are regarded to be important in assimilating the individual's taxpayer's compliance behavior and helping the tax authority in developing the strategies required to improve the whole level of tax compliance.

1.8 Organization of the Thesis

Chapter One - Introduction: This chapter of the study provides the research background, problem statement, research questions, research objective and scope of the study, the significance of the study and finally the contribution of the study.

Chapter Two - Literature Review: This chapter presents the numerous literature reviewed in the area of study, through primary and secondary sources in order to develop the research hypotheses and the theoretical framework of the study.

Chapter Three - Methodology: This chapter elaborated on the research method and procedures used in order to achieve the overall objectives of the study.

Chapter Four – Research Findings: this chapter will explain the data analysis, interpretation, discussion and findings of the study based on primary data (survey) distributed and responded by the respondents. Hence, review on the hypotheses will be done.

Chapter Five – Conclusions and Recommendations: this chapter includes the summary, conclusions, limitation, some recommendations and suggestions for future studies will be included in this section as well.

CHAPTER TWO LITERATURE REVIEW

2.1 Chapter Overview

This chapter briefly explained personal income tax system and literature on the concept of tax compliance, the impact of non-economic factors (like tax knowledge, tax complexity, public governance quality and perceptions of government spending) towards taxpayer compliance behavior in Libyan perspective. Moreover, theories related to the research were stated based and linked the theories with the literature in order to form the hypotheses and the theoretical framework of the study.

2.2 Personal Income Tax System in Libya

The Libyan tax structure depends on a system of manifold taxes. It comprises several types of tax imposed in different locations of the flow of monetary income. There are taxes levied upon receipt of income and others levied on expenditure of this income. The Libyan tax system is based on both direct and indirect taxes. The direct taxes consist of taxes on income and taxes on capital. Income taxes are divided into taxes on income of natural persons and taxes on company income. Taxes on income of natural persons include several specific taxes and general tax on income, in addition to additional taxes such as Jihad tax, tax of the Palestinian national fund, stamp tax, support for national companies tax, and central bank tax. For the taxes on capital, they include the tax on vacant (unused) lands, and tax on properties of real estate (Abdalaziz, 2012).

The main law guiding the tax system in Libya is the Income Tax Law No. 64/1973. The law was promulgated considering the huge differentiation and distinction among the different income bracket. The tax law takes into account the source of income, whether from work or capital. The rates on income from sources of work (wages and salary) are quite higher than the rate on incomes from sources of capital (real estates and interests on banks). In a more detailed explanation, the corporate taxes ranged from 15%-60%, taxes on real income was between 15%-25%, tax on agricultural income was 5%, tax on commerce, industry and crafts 15%-30%, tax on independent (free) provision income 15%-35%, tax on wages and salaries 8%-35%, while tax on corporation income ranged from 20%-60% (Libyan tax authority, 1971).

In general taxes were progressive in nature, except taxes on agricultural income, taxes on bank deposits and taxes on external incomes. On the 6th of March 2004, the General People Congress issued a new income tax law (no.11 of 2004) which replaced the previous income tax law (no. 64 of 1973) and came into force with effect from that date. According to the new law, general income tax was abolished, the top tax rates on wages and salaries were reduced, and personal tax exemption laws were increased. The corporate tax remained progressive on a sliding scale from 15%-40%, compared to 20%-60%, under the previous law. Further, resident individuals were taxed on their worldwide income; non-resident individuals became subject to Libyan tax on Libyan-derived income. The rate attributable to individuals depending on the category of income, were still the same at the following rates: agricultural activities (5%) commercial, industrial and hand craft activities (15%-35%); professional activities (15%-30%); employment income (8%-15%); partnership income (10%-20%); foreign income (20%) and income from deposits in banks

and financial institutions (5%). As for capital gains, it was taxed as normal business income (Libyan tax authority, 2004).

In the most recent development on the income tax law in Libya, the revised Income Tax Act according to the letter of the law No (7) for the year 2010, stipulates that for income tax on real estate, the rate is at 15%, with exemptions for those with a minimum living income of 1800 dinners per year for single and 2400 dinners for married and unreliable. The tax on agricultural income were suspended, while tax on trade income, industry and crafts was 15% with exemptions for minimum living income of 1800 dinners per year for single and 2400 for double with an additional 300 dinners per child.

Furthermore, regarding tax on wages and salaries, the initial 12000 will be at 5%, any excess of that will be at 10%. Taxes on foreign entry residents was also removed, while tax on bank deposits was at 5% of the interest resulting. The tax on companies situated home and abroad irrespective of industries was at a fixed rate of 20% per year. While, agricultural income exempt from tax compared to the previous law was 5% that issued in 2004.

The penalty attributable to non-payment of tax according to the Act was such that taxes not paid on time become due immediately along with all other taxes that may not yet be payable subject to a penalty of 1% of the tax due the value of all delay of a month or part of a month of not less than fifteen days so that a fine not exceeding (12%) of the value. And getting this fine at the same time get the tax.

On grounds of appeal if the tax payer fails to accept the tax assessment, such a person has the right to file an objection, or an appeal. The objection can be made to an arbitration committee or a court (Libyan tax authority, 2010).

2.3 Tax Compliance Behavior

The issue of tax compliance is a problem to the governments worldwide, there are several studies conducted in the area of tax compliance. The study focuses on the level of individuals, companies and other entities to attain their authorized tax requirements, the general objective is successfully the similar to explain the government and tax authority policies in increasing the revenue in order to fund the government expenditures (Atawodi & Ojeka, 2012).

Theoretically, the interpretations of the taxpayers and the tax collectors are that, the tax compliance, implies following the tax laws, which varies from country to country. This shows that, the taxpayers need to provide the accurate information to the authorities in charge of the tax at the right time and a clear return which reflect the accurate tax liability (Mesiku, 2012).

The tax compliance issue is regarded as an important aspect of research in a large number of developed and developing countries, although, the tax compliance approach differs from country to country and every country has different tax laws and regulation used in managing its tax system and increasing its tax compliance level (Palil, 2010).

The tax compliance is a serious concern to the tax authorities, it is not an easy task to encourage the taxpayers to abide by the tax requirements, although the tax laws are not always detailed

enough (James & Alley, 2004). The precise meaning of tax compliance has been clearly stated in numerous aspects, for instance, (Internal Revenue Service (IRS), 2009; Australia Tax Office (ATO), 2009; Inland Revenue Board of Malaysia (IRB), 2009), tax compliance is also defined by many tax authorities, as the capability and preparedness of taxpayers to obey the tax laws, and further disclose his actual income every year and comply with the correct amount of the taxes within the specified period. According to Franzoni (2000) stated that the individual's compliance with the tax laws encompasses the actual disclosure of the tax base, basically, the actual calculation of the required payment of the tax charges, completing the tax returns form, and also timely payment of the tax liabilities earmark as tax.

The extensive perception of the tax compliance is also explained in the definition of Allingham and Sandmo (1972) tax was defined as matter of reporting correct income and it was also argued that compliance behavior is influenced by a condition when the taxpayers have to take a certain decision in an uncertainty. These uncertainties imply either the taxpayers would appreciate their tax savings due to the under reporting income or have to make payment of the undeclared amount of fine which is considered higher than what he would have paid initially, with the actual and fully declaring the correct income that is taxable.

Palil and Mustapha (2011), defined the tax compliance as an individual's act of paying of their tax returns and affirming all the taxable income correctly complying with the tax payable taxes with the due time without follow-up from the tax authority. Furthermore, Alm (1991), Jackson and Milliron (1986) also defined tax compliance as the reporting of all incomes and payment of all kind of taxes by complying to the law provision, tax regulations and judgment delivered by courts.

While Kirchler (2007) considered tax compliance in a simpler definition, as the most impartial term used to describe the taxpayers' readiness to comply with payment of their taxes.

In addition to the definition of tax compliance base on several literatures, James and Alley (2002) defined tax compliance as individual willingness to act in regards to both the spirit and the letter of the law of tax and administration without the using of enforcement action. The term compliance in the context of tax includes the process of informing the tax authorities an individual tax payer, and submitting the tax return yearly or periodically depending the arrangement with the tax authorities (Ming Ling, Normala, & Meera, 2005).

However, the conceptual meaning of compliance is regarded as a ground of several definitions, one proposition is the extent of the non-compliance, which can be measured in terms of the gap in tax. The tax gap characterizes the difference between the actual collected revenue and the anticipated amount to be collected in the situation of 100% compliance (James 1992). Moreover, the tax compliance has also been separated into two, which are the compliance in respective of administrative and compliance in completing (accuracy) the tax returns (Chow, 2004). The tax compliance in administrative terms includes the process of individual providing the necessary required information to tax payer and complying with the payment of the taxes when due.

There are several studies conducted in the area of the tax compliance and the tax system, in these studies many researchers had defined the tax compliance, in regards to the present studies, tax compliance is been defined as the taxpayer's willingness to comply with the tax laws, by declaring their current income, payment of the correct tax charges, in order to obtain the bonus from relief

and rebates due to payment of all taxes on time (Alm, 1991; Jackson & Milliron, 1986; Kirchler, 2007; Franzoni, 2000; James and Alley 2002; Palil, 2010; Ming Ling, Normala, & Meera, 2005 and IRS 2009; ATO 2009; IRB, 2009).

Based on different literatures discussed earlier, the tax compliance is a broad concept in the area of taxation and can be regarded from many viewpoints such as public finance, economic, legal and psychological perspectives. James and Alley (2004) proposed two contrasting methods regarding the tax compliance, as a summary of the excesses ways of defining the topic as showed in Table 2.1.



Table 2.1*Approach to tax compliance.*

Tax Compliance	First Approach	Second approach
Concept of:	Tax gap 100% compliance less actual revenue	Voluntary Willingness to act in accordance with the spirit as well as the letter of tax law.
Definition	Narrower	Wider
Exemplified by:	Trade off: 1. Expected benefit of evading. 2. Risk of detection and application of penalties. 3. Maximize personal income and wealth	Individuals are not simply independent, selfish utility maximizers. They interact according to differing attitudes, beliefs, norms and roles. Success depend on co-operation
Issues of:	Efficiency in resource allocation	Equity, fairness and incidence.
Taxpayer seen as	Selfish calculator of pecuniary gains and losses	good citizen
Can be termed the	Economic approach	Behavioral approach

Source: James and Alley (2004), p. 33

The problem of tax compliance is a very serious issue of concerned to the appropriate tax authorities, the effective tax compliance of the individual taxpayers can play a vital role in increasing the level of tax collected, this tax yields when properly utilized can impact the macroeconomic activities.

Therefore, it is important to employ strategies that will help to measure the level of effectiveness and compliance of the tax administration, a more precise extent is the level of compliance. In order to facilitate the level of compliance, several factors must be put in place such as improving the services to the tax payers thereby providing precise and clear guide towards the tax compliance and easy forms to fill should be provided and the tax payers should be educated, in order to be informed their duties and obligations in complying with the tax for the overall development of the economic system. The tax compliance is measured in three forms, which are the payment, completing of forms and reporting the level of compliance.

Based on the three measured of tax compliance above, provide different views of the compliance challenge and when combined together gives a proper and comprehensive clear image and general compliance level. The compliance filing keep track of the percentage of the required returns that are timely filed, while the reporting compliance keeps track of the required portion of the exact portion of real tax burden that is correctly reported and the payment compliance measure tracks the required percentage of the reported tax that is timely paid (Mogeni, 2014).

2.4 Major Determinants of Tax Compliance Behavior

The study presents the four factors affecting the taxpayer compliance and further investigated the non-economic factors, these factors includes; the taxpayers' level of knowledge, tax complexity, public governance quality and perception of government spending. These non-economic factors are categorized under the behavioral influential factors.

2.4.1 Tax Knowledge and Tax Compliance

The knowledge is considered an influential factor on the compliance behaviors, this has been evaluated in numerous researches in the field of tax compliance. Knowledge as regarded one of the factors that influence behavior towards tax compliance is related to the taxpayers' capability to ascertain the taxation laws and the taxpayers' preparedness to comply with the tax payment (Kasipillai, Aripin, & Amran, 2003).

The knowledge on taxation is a necessary tool in increasing the public awareness most especially in the knowledge of the taxation laws and the role the tax system plays in the national development. It further explain how the government generate the tax revenue and how it's been spent as public expenditure (Palil, 2010). Behavior towards tax compliance can be better through the improvement of taxation knowledge and a taxpayer has a positive attitude towards the tax compliance, this helps to reduce his/her predisposition to evade tax payment (Eriksen & Fallan, 1996). Thus, tax awareness and sensitization programs should be organized by the tax authority or other public educational institutions, in order to increase the level of tax compliance and tax laws literacy among taxpayers to enhance their ability to understand self-assessment system and to increase their assurance in fulfilling their responsibilities as taxpayers (Adbul, 2001).

Chan, Troutman, and O'Bryan (2000) stated that the individual taxpayers level of education is directly associated to the likelihood of tax compliance, educated taxpayers are aware of the consequence of non-compliance and also the potentially of better understanding of the tax system. The high level of government provision of public service helps to boost the morale of the taxpayers towards compliance attitude. It was also suggested that the individual taxpayer with higher

education level tends to have a compliance behavior and attitude of complying more in the payment of their taxes.

The study conducted by Osebe (2013) establish that tax knowledge and education has a significant influence on tax compliance. Thus, the tax system should not only stop at providing very clear and simple guideline to the taxpayers, but also provide ways to enhance taxpayer education services, this enables the taxpayers understand their rights and obligations. The tax compliance levels will increase with the increase in tax knowledge, similarly, the study also studied the influence of tax knowledge and education on tax compliance level. The findings show a strong and a positive relationship between the influential factors that enhance the knowledge on taxation in turn increase tax compliance (Mogeni, 2014).

Moreover, another study conducted by Ocheni (2015) tax compliance behavior and the causality on Nigerian economy is designed to evaluate the influencing factors that allowed the readiness of individuals to succumb with their tax payment, the tax compliance behavior by individuals have really influenced the growth of Nigerian economy. The findings base on the study are that, the knowledge of tax helps and serve as an effecting factor the individual taxpayers willingness for tax payment. This fact is established by the majority of the respondents that participated in the study.

Previous study has shown that, the general tax knowledge has a very strong relationship with taxpayers' ability towards understand the laws and regulations of taxation and their capability to comply with the regulation (Palil & Mustapha, 2011).

However, a recent study undertaken in Mekelle City, Ethiopia by Engida and Baisa (2014) have shown that the study attempted to identify the determinants of taxpayers' compliance with the tax system. The findings of this study indicated that tax compliance was influenced by tax knowledge that has not significantly correlated with tax compliance at the time of the study. In regards to the effect of tax knowledge on tax compliance behavior, the study of Roshidi, Mustafa and Asri (2007) stated that the taxpayers knowledge and the tax system comprehension will better equipped the taxpayer with the practical knowledge of the calculation of the tax obligation and are probable to obey the requirements of the laws enacted based on the taxation system in comparison with those taxpayers that lacks this knowledge.

Similarly, the study conducted in Kenya by Mukabi (2014) pursued to identify the factors influencing the tax compliance turnover. A descriptive survey design was used in a study among a target population of 560 taxpayers selected and which represent the given large population of taxpayers in Nairobi County. The findings of the research suggested that the taxpayers were uneducated of their responsibilities as taxpayers. The study further suggested that the increased tax knowledge may have a significant impact on the perception of the tax system.

However, Kamil (2015) study the objectives to examine the effect of taxpayer awareness, tax knowledge, tax penalties and service tax authorities on the tax compliance behavior. The research findings show that, tax knowledge has a negative and significant relationship to the taxpayer compliance. This indicate that the level of knowledge of good tax actually regarding gaps to avoid tax liabilities.

In addition, according to Brainyyah and Rusydi (2013) determine and ensure the effect of perceived tax fairness, tax knowledge, and tax complexity in tax compliance decisions among SME entrepreneurs in Malang. The findings indicated that the tax knowledge contributed to some extent important influence on the tax payment compliance positively.

2.4.2 Tax Complexity and Taxpayer Compliance

The tax complexity is a multi-dimensional concept, as such it cannot be simply defined or exclusively measured. It actually implies different things to different people depending on their biases, perspectives or areas of research interest. For instance tax lawyer, tax complexity may viewed as difficulty in which a body of tax legislation can be read, understood and applied in various practical circumstances to a tax accountant tax complexity refers to the time required to expend in order to prepare an income tax returner to provide tax advice, which may include tax planning and assistance with tax objections or appeals (Tran Nam & Evans, 2014).

Evans and Tran-Nam (2013) provided three different definitions of tax complexity from a different perspective of tax accountants, tax lawyers and taxpayers. To tax accountant, tax complexity refers to as the time it takes to prepare income tax returns, including tax planning or the time it takes to give tax advices and consultancies. The tax lawyer, consider tax complexity from a different point of view, it is viewed as the difficulty in reading, understanding and interpreting tax laws for their application in the tax compliance. The taxpayer also consider tax complexity as the time taken and cost incurred in complying with the related tax legislations.

Numerous empirical studies conducted considering the tax complexity as an independent variable in an attempt to investigate the problems and issues of the elusive behavior of taxpayers' from the developed and developing countries around the world. Yahaya (2015) studies the perception of corporate taxpayers on tax compliance behavior under the self-assessment system in Nigeria, the data used in the study were gathered using questionnaire survey method of data collection. The questionnaires were distributed to 267 public listed companies in Nigeria, however, the results indicated that the corporate taxpayer's perceived tax laws as complicated and also the findings shows that there is a positive and significant effect between tax complexity and the compliance behavior.

However, in a study conducted by Gambo, et al. (2014) the study studied the effect of tax complexity on tax compliance in African Self- assessment environment, the population employed in the study are all countries in Africa and however a sample of 44 countries was selected out of the entire population of the African countries. The result indicates a significant negative effect of the tax complexity on tax compliance in Africa.

Similarly, Brainyyah and Rusydi (2013) studied the purposes of determining and ensuring the effect of perceived tax fairness, tax knowledge and tax complexity in tax compliance decisions among SME entrepreneurs in Malang. Thus, this research of results discovered that tax complexity factors that consists of the content complexity and compliance complexity, indicates a negative and significant correlation to tax compliance behavior of SMEs entrepreneurs. Moreover, recent study undertaken in the area of tax complexity in Malaysia by Saad, Mat Udin and Derashid (2014)

examines the complexity of Malaysian Income tax system through the readability awareness in regards to the complexity.

The ITA 1967 and the Schedules to the ITA 1967 were examined by two well-known readability measures, namely the FRES and F-KGL. Overall, the results on the readability of the ITA 1967 using the FRES and F-KGL analysis indicate that the tax legislation is complex and hard to comprehend by an average Malaysian taxpayers. Therefore, the research has shown that, the level of tax law complexity in Malaysia has a significant relationship with the degree of compliance.

In addition, the concerned that changes the uncertainties and the details in the tax law were the critical parts in tax law complexity. Researchers have recommended that changes and the specifics of the tax law must be reduced in order to avoid confusion and wrong interpretation of the law. The lack of understanding and wrong interpretation of the tax law would lead to a series of errors in tax calculations and subsequently affect the confidence of taxpayers in carrying out their responsibilities of compliance (Goedde, 1988 as cited in Mat Udin et al, 2013).

2.4.3 Public Governance Quality and Taxpayer Compliance

The quality of public governance is a matter of general concern to the citizens of the countries, the absence of qualitative and effective governance will hinder direct benefits that is supposed to be derived from the governance. Everest-Phillips and Sandall (2009) stated that, the quality of public governance is essential, in order to have a better tax system, and the good tax system is necessary in achieving the general governance quality. As suggested by the theory of social exchange, which assumes that, the association between two parties is based on the basis of mutuality in such a way

that individuals pay taxes in order to fulfill their obligations as people of a particular country and the expectation from the taxpayers' is that the government will equally keep its side of the agreement by providing the provision of quality of public administration services.

Most of the researchers hardly take into concern based on the issue of public governance quality because it is always a complex part despite that a lot of researches in the recent years begins to investigate its effects with regard to tax compliance. Taxpayers that believed in the tax system fairness are more likely averse to tax non-compliance. The aspect that, the people pledge their support to the public authority is the voluntary tax compliance (Ross & McGee, 2011).

When the citizens believed that the public authorities imposed tax system is relatively objectively they would have an additional self-confident and believe more in the public authority in providing them with basic required amenities as the duty of the public authority towards its people. This will increase their tax payment compliance level and voluntary willingness of the tax payment (Ho, Loo & Lim, 2006; Bosco & Mittone, 1997; Kirchgassner, 2010).

Ser (2013) further contributed that the government's funding most of the public expenditures from the finances obtained from the taxes obtained from the citizens, and the taxes obtained from the individuals are essential, as they serve as sources of revenue for the public authority in order to provide basic social amenities to the public. In this instance, it appears that public are holding the power of the funding of the governance. In the situation, whereby the public authorities are honest, the level of tax compliance is probable to increase. Hence, whatever that happens in government,

does matter to taxpayers, the government can either impact the lives of the taxpayers either positively or negatively (Cummings, Martinez-Vazquez, McKee & Torgler, 2006).

A study conducted by Her and Kim's (2006) stated that the public governance quality does influence tax compliance. This study investigated the politics and tax compliance relationship, the researchers established based on their findings that, the political purpose influence the compliance behavior of taxpayers. This is the reason why, in most of the countries, the key politicians in power select, and appoint the head of tax administration. Kim et al. (2006) claimed that in this circumstance, the political party which governs indirectly affect the behavior of the tax administration through the imposition authorities in charge of tax in conducting audit on the taxes with respect of its interests in a way not acceptable in regards to the direct influence of the tax system.

However, Tanzi and Davoodi (as cited in Ahangar, Bandpey & Rokny, 2011) argued that, in the country with a significant level of bribery in the economy, the tax non-compliance level will increase to some extent. This statement was then supported by Fjeldstad, as cited in Bărbuță-Mișu, 2011) the tax compliance willingness by the taxpayers' is led by the trust in political leadership and management of a favorable government. Kirchgassner (2010) supported this assertion as well and further commented that, the voluntary compliance from taxpayers does not exclusively depend on the equality of the tax system, on the contrary, most importantly is the trust in taxpayers' places on the government.

Additionally, within the context of the tax compliance, the government expenditures are all taken into consideration as a public authority and the reason why the taxpayers are frustrated is the misappropriation of taxpayers' money and ineffectively wasted projects which will support taxpayers believed that government work in the best interest of the taxpayers not in the interest of selective government officials that are corrupt. This subsequently causes the taxpayers to be reluctant to pay taxes (Ho et al., 2006; Kirchgassner, 2010).

Similarly, Akpo (2009) stated that, respectable authority requires the provision of qualitative public service to the taxpayers and whereas, the public authority unsuccessful in providing the public with basic public to the citizens in return for tax payment, the citizens will fail to comply with the tax payment.

2.4.4 Perceptions of Government Spending and Taxpayer Compliance

According to Palil and Mustapha (2011) based on their studies observe the relationship between the specifics of actual government spending and tax compliance, particularly on tax compliance, are very limited. They acknowledge that taxpayers, and especially those who pay high amounts of tax, will be sensitive on how the government spends their money. Although there is limited empirical evidence that exists, it is rational to assume that taxpayers tends to evade tax, when they perceive that, the government spends tax money wastefully and unwisely.

In summary, the government should wisely spend the money paid by taxpayers' because the way in which the government spends money leads to different levels of compliance. Thus, the taxpayer's perceptions are potentially significant for the purpose of their compliance behavior.

Engida and Baisa (2014), stated that, likely issues of tax compliance are large in number, the primary objective of the study is to investigate the factors of tax compliance in Mekelle, Ethiopia. Based on an analysis conducted in Mekelle using 102 respondent and an attempt was made to explain the effects of compliance determinants such as perceptions of government spending. The research findings shown that, the tax compliance is not significantly correlated with perceptions of government spending at the period of this study. Similarly, Vadde and Gundarapu (2012) attempted to reveal causes of taxpayers' compliance with the tax system. Nine tax compliance determinants were examined these results also suggest that other variables such as perception of government spending, were not significantly correlated with tax compliance at of the time of this study.

However, Palil, Hamid and Hanafiah (2013) attempts to reveal the determinants of tax compliance in Malaysia in a self-assessment system (SAS) with a special emphasis given to the individual taxpayers. In this study four tax compliance determinants were studied, 1,073 respondents were used in the survey and the results suggested that a high probability of the perceptions of government spending will encourage tax compliance. Moreover, positive perceptions of how the government spends taxpayers' money will also hypothetically increase tax the tax compliance level. In a similar study conducted in the Ethiopian by Tehulu (2014), the study studied the determinants of tax compliance behavior in Ethiopia particularly in Bahir Dar city administration. The data were collected using a structured questionnaire. The results revealed that perception on government spending was a factor that significantly affect tax compliance behavior in Ethiopia.

Recent study conducted in Nigeria by Kennedy and Anyaduba (2014) examines the impact of tax audit and other qualitative aspects on the tax compliance level of companies in Nigeria. Questionnaires were administered to the staff of the sampled companies in selected states of the five geopolitical zones of Nigeria. The result further discovered that there exists a significant positive relationship between government spending and tax compliance. This implies that an increase in government spending on the social and welfare needs of its citizens has a tendency to positively influence the tax compliance. Similarly, the study of Fenochietto and Pessino (2013) suggested that tax compliance can be improved in the instance of perceived welfares through the tax collected and the taxes are used for the benefits of the public. This may significantly affect the tax compliance behavior of individuals. In addition, he also establish some findings base on the traditional instruments employed might be unsuccessful nowadays for the tax compliance.

2.5 Tax Compliance Models

In explaining the taxpayer's compliance behavior, which is the main reasons why taxpayers comply or do not comply with the tax payment. There is one extensive approach in which the researcher employed in order to explain compliance behaviors, social psychological and sociological theories.

The Social Sociological and the Psychological Theories

In respect to the claim by Alm (1999), and Jackson and Millron (1986) that, the aspect of the behavior of compliance in tax is behind the explanation of economic theories, the psychologists and also the sociologists had put in place a significant number of related theories together in order to interprets the non-economic determining factors that affect the behavior of tax compliance. The

researchers are interested in the cognitive theory and the fiscal/ social exchange theory which are the psychological and sociological theories supporting this study.

2.5.1 Cognitive Theory

The influence of the tax compliance behavior is explained by the cognitive theory, which shows the effect of social aspect of the individual compliance behavior and is suitable for the study on compliance in tax payment (Jackson & Millron, 1986; Sutinen & Kuperan, 1999). Human behavior is best explained by the cognitive theory, which indicates the social ways of the individual compliance attitude. The theory tends to explain the approach people used by individuals in order to exemplify their knowledge and plan the necessary actions to take (Hogg & Vaughan, 2005).

The study of Lai & Choong, (2009) stated that, the tax knowledge combined together with experience on general problem-solving ability and the taxpayer's attitude towards the perceived complexity of the tax law, represent a combination of existing obligation that lie within the taxpayer's cognitive structures. It is also believed that only the taxpayers with a positive attitude and good intention would be prepared to ensure that they overcome the necessities of cognitive structure to comply with their required responsibilities. This is because of the reason that filing the accurate tax return forms is not an easy task to achieve, especially for new taxpayers that are not familiar with the tax system. Taxpayers need to keep themselves up to date with the frequent changes in the tax law and also involved in making various decision and to comply with the specified rules and regulations of the tax system (Loo, 2006).

Based on cognitive theory, the main factors of compliance are the personal individuals' ethics and the level of ethical progress (Sutinen & Kuperan, 1999). The individual morality is an inside responsibility that people use their instincts in order to determine what is right or wrong. Individuals' characteristics is stressed by the cognitive theory as the compliance factors. Additionally, the individuals' ethical development is assumed to be straightly related to the tendency of individuals' notion in complying with the tax systems laws imposed in the society (Sutinen & Kuperan, 1999).

The morality of the individual development is a process that follows certain levels. Kohlberg (1969) established six moral development at three stages. Sutinen and Kuperan (1999) succumbed that each stage of Kohlberg's ethical development stages are categorized by the association amid the individual as well as his public setting, according to the individual behavior towards the society.

French and Raven (1959) determine the social powers which are categorized into five respectively which were later expanded into six by Raven (1965 and 1993). The six aspects of the social power are the reward power, coercive power, informative power, expert power, legitimate power and referent power. The reward power is considered providing of the motivation for tax payment compliance. For example, the study of Manaf (2004) reported that positive incentive has significant effect on the land taxpayers' compliance behavior in Malaysia.

The second stage is the coercive power and involves the usage of notice to encourage the taxpayer's towards compliance behavior in tax payment, in the tax system settings, the tax audit

and fines serve as coercive power. Information power is the third stage and it influences individual taxpayers to comply with the tax payment through the use of available information. In respect to tax system settings, the tax knowledge present to the taxpayers might encourage them to comply towards the tax payment obligation. The fourth aspect of the stage is the expert power, considered the ability of tax policy makers that possessed the tax knowledge to encourage taxpayers' behavior towards compliance in tax payment. The tax policy makers might offer services that will assist in addressing the tax difficulties faced by individuals which might encourage taxpayer to comply with the tax legislations. Furthermore, the next stage is the power of legitimate, considered to be based on the authority and the appreciation accorded to the body towards which the compliance is done, for example, the legitimacy of the tax authority may exercise the effect on the level of compliance. The last is the power of referent which is considered the sixth stage and this power is from the reference group which is significant for an individual's behavior and attitude.

2.5.2 Social Exchange Theory

The theory of social exchange established that, stability and social exchange involves a process of the exchange negotiation between parties and further suggests that all aspect of relationships that involved human in a community set-up are made by employment of particular charge-welfares investigation and the evaluation of the incentive and the cost alternative relationship. Social exchange theory was first established by George Casper Homan (1974) but was extensively developed by Peter Blau (1964) and some suggestions of the theory carried by Homan (1974) include the success suggestion is related to the actions taken by the individuals and more often and specific action of an individual is compensated with some benefits the most likely is the taxpayer ability to partake in such action. In imposing the application of taxation, as the taxpayers get more

rewards from the early payment of taxes in order to improve the quality of governance, to provide basic social amenities such as, the provision of public services based on their willingness of the taxpayers to obey with the regulations of a tax system.

This incentives suggestion previously, the incidence of a specific incentive or sets of motivation, is considered as the circumstance in which the taxpayer action is rewarded with some benefits, then, the more certain the present incentives are to the past ones, most likely the taxpayer is to partake the action. In regards to the aspect of tax system, it was suggested that, previously the incentives that, the taxpayers had received from the tax authority based on their compliance in their tax payment have been rewarding them. Hence, the reliable development in the governance quality in the aspect of providing of public services, public authority accountability, rule of law, control of corruption, will improve the behavior of taxpayers' compliance.

The significance suggestion is regarded more valuable to the taxpayer in respect to the result of taking such act, additional they are to partake this action. In the tax system, the benefit the taxpayers obtained from the tax authority are valued in terms of compliance quality and most probable to comply willingly.

In other words, the social exchange theory suggests that, the presence of the government expenditures may motivate compliance and that government can increase the level of compliance by providing public services that the citizens prefer a more efficient and accessible manner (Cowell and Gordon 1988; Moore 2004). Alm et al. (1992) stated that the compliance increases with perceptions of the availability of public services. Hence, the main concern of taxpayers is the

benefits that can be derived directly in return for their tax payments in the form of public services. In this perspective, the taxation and the provision of public services are interpreted as a contractual relationship between taxpayers and the public authority (Moore 2004). Individuals comply with the payment of taxes in order for the government to provide essential public social amenities, and realizing the importance of the tax payment to the public authority as necessary in order to help and finance public expenditures and provide services (Fjeldstad & Semboja 2001).

In application of the compliance behavior in tax payment, the relationship between the public authority and the taxpayer is best explained by the theories designed according to the basis of value exchange. The taxpayers comply with the tax payment in anticipating the public authority will give in return by the provision of benefits such as public services, accountability, law and order, dividend of democracy, control of corrupt practices and quality governance overall. Torgler (2007) stated that the public authority good behavior towards the individual taxpayers' increases the probability of compliance by the taxpayers. Individuals are anticipated to obey the tax laws regulation when the interchange occurs between the tax payment and the political dividends and public services provided by government are equitable.

2.6 Relationship between Tax Compliance Behavior and Selected Variables

From the above literature reviewed, the study draws a conclusion to employ four variables, these variables of interest have an inconclusive result from the previous studies conducted, some with a negative result and others have not been tested yet. The four variables of this study are the variables that some of it also has an inconclusive result, some have yielded a positive relationship while others a negative relationship with taxpayer compliance behavior. The variables that are to be used

includes; the tax knowledge, the tax complexity, public governance quality and perception of government spending. Furthermore, variables with either negative, positive or inconclusive result based on the previous studies is as the result of the method used, or the sample size or even the statistical tool used in analyzing the data by the previous researchers.

2.7 Literature Gap

From the above discussion on the topic and relevant literatures available to the researcher, there is enough empirical evidence to carry out this study in other countries, exception of Libyan context. Therefore, there is justification for further research in this area to study the relationship between public governance quality, perceptions of government spending and taxpayer compliance behavior. Moreover, public governance quality and perceptions of government spending were tested and establish that there is positive relationship with taxpayer compliance behavior in other countries. Therefore, this research tests the variables from Libyan context. This helps in understanding the factors in determining tax compliance from the taxpayer perception perspectives.

2.8 Chapter Summary

In this chapter, several discussions were made about the literature of the concepts of tax compliance, models and factors of tax compliance. Similarly, the chapter includes and highlighted the factors effecting the tax compliance like the tax knowledge, tax complexity, public governance quality and perceptions of government spending. Subsequently, literature gap was narrowly built and also presented in this chapter of the study based on the review or the area of the research and further discussed the issues and problems from the Libyan perspectives; therefore the study helps

to understand the factors that effect and motivate the Libyan taxpayers toward tax compliance behavior.



CHAPTER THREE METHODOLOGY

3.1 Chapter Overview

This chapter provides the methods and procedures used to conduct the research. The chapter precisely highlighted the following research essentials which includes; the research framework, hypotheses development, research design, population and sampling technique, data collection procedure, variables measurement and model specification of the study.

3.2 Research Framework for the Relationship between Variables

The dependent variable used in this study is taxpayer compliance behavior. The independent variables employed are tax knowledge, tax complexity, public governance quality and perception of government spending. The researcher develops a model for the purpose of the research as illustrated in figure 3.1. The model was used to explain the relationship between the dependent variable i.e. taxpayer compliance behavior and other selected independent variables accordingly. Figure 3.1 shows the conceptual research framework of the study.

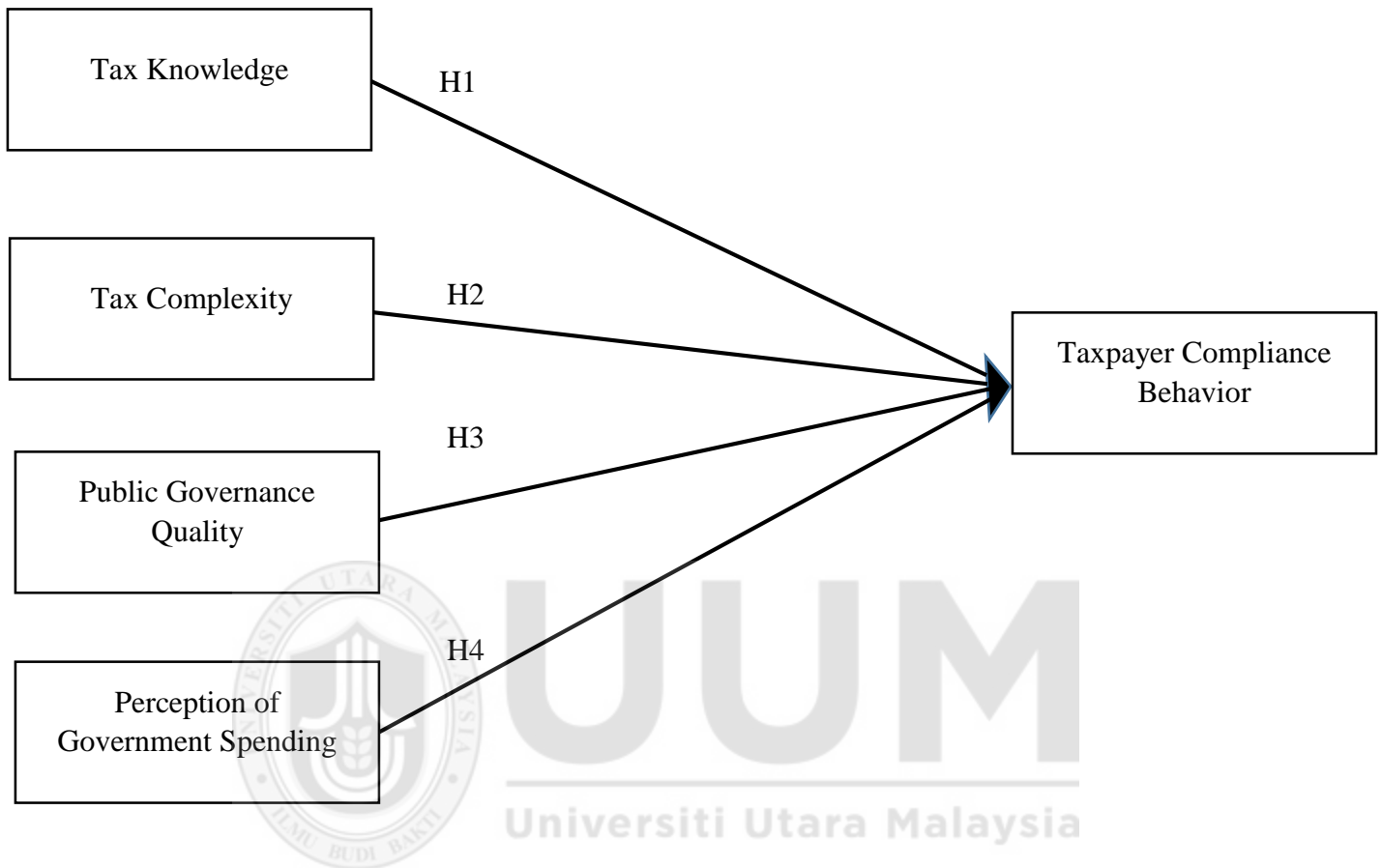


Figure 3.1

Conceptual Framework: Factors affecting taxpayer compliance behavior.

3.3 Hypotheses Development

In this study, tax knowledge, tax complexity, public governance quality and perception of government spending are the independent variables while taxpayer compliance behavior is the dependent variable.

3.3.1 Dependent Variable

Taxpayer compliance behavior is considered the dependent variable for the study, tax compliance is a major concern for countless tax authorities of different countries. It is difficult to persuade taxpayers to comply with tax requirements, although, the tax laws are not always detailed (James & Alley, 2004).

Theoretically, the opinion of the taxpayers and tax collectors is that tax compliance signifies adhering to the tax laws, which are different from country to country. This implies that the tax payers need to provide accurate information to the tax authorities at the right time and correctly complete the return that reflect the correct tax liability.

Brown and Mazur (2003) stated that, tax compliance is multi-dimensional construct, and it can be well-defined by considering three different types of compliance, such as, the payment compliance, filing compliance, and reporting compliance. The Organization for Economic Cooperation and Development (2001) supported dividing the compliance into categories in view of the definitions of tax compliance. These categories are the administrative compliance and technical compliance. Whereas the former refers to complying with administrative rules of lodging and paying which otherwise are referred to the reporting compliance, procedural compliance or regulatory

compliance and the latter refer to as complying with the technical requirements of the tax laws in the calculation of taxes, or the provisions of the tax laws which clearly stated in the payment of the share of the taxes. Tax compliance can be measured based on the filing of tax returns, payment of taxes due on time and the accurate determination of tax liability among others (Brown & Mazur, 2003).

3.3.2 Independent Variables

3.3.2.1 Tax Knowledge

Based on the extensive literature of tax compliance behavior had pointed that tax knowledge is essential and necessary in the subject of taxation and in the influencing of behavior in compliance of the taxpayers (Eriksen & Fallan, 1996). The tax system legislation are not easy to comprehend and follow, and improper platform of learning and tax knowledge sensitization programs, it will be hard and more difficult for the taxpayers to comprehend because of its terms (McCaffery and Barron, as cited in Bărbuță-Mișu, 2011). This might result to confusion in the assimilation of the laws concerning tax, due to insufficient tax knowledge. The clear and adequate knowledge of the taxpayers will enable them to better understand the system of taxation and the resulting laws and policies governing the laws. (Roshidi, et al. 2007). Finally, this increases the compliance behavior in tax payment and their attentiveness in achieving their obligation as taxpayers (Kasipillai & Mustafa, 2000).

In addition, in study undertaken by Mustafa (2007) found that the knowledge of tax payment by the individual taxpayers that possess little awareness of the tax matters are better equipped with practical knowledge of the calculation of the tax obligations, which is probably for the taxpayers

to obey the legislation of the tax laws in comparison with taxpayers that do not possess such knowledge.

The study conducted by Osebe (2013), indicates that, the tax awareness and education concerning tax, has a significant influence on the tax compliance. Thus, the tax system should not only provide the basic guidelines regarding how to fill the tax returns, but also enhance the taxpayers' educational services, this will enable the taxpayers understand their rights and obligations. This strategy will help to improve and increase the level of tax compliance among taxpayers.

Similarly, this study also studied the effect of tax knowledge and education on the tax compliance level. The research findings shows a strong positive relationship between the variables. The findings implies that, the enhanced knowledge on taxation in turn enhance the tax compliance level of the tax payment (Mogeni, 2014).

Ocheni (2015) studied the tax compliance behavior and the causality on Nigerian economy and found the aim at evaluating the factors that influence the willingness of citizens to comply with tax and how the tax compliance affected Nigerian economic growth. The findings of the study show that, the tax knowledge serves as an influencing factor on willingness to pay taxes, this implies that, the majority of the respondents agreed that the tax knowledge serves as an influencing factor on the willingness of the taxpayer to pay taxes. Furthermore, Roshidi et al. (2007) found that, the tax knowledge influences the tax compliance positively. The result is also the same as found by Fallan (1999), Obid (2004). Contrary, Lin and Carrol (as cited in Roshidi et al., 2007), against that the tax knowledge influences the taxpayers' compliance behavior. Therefore, based

on the review of several studies in the area of tax compliance behavior, tax knowledge and tax laws, the researcher developed the following hypothesis:

H1: There is a positive relationship between tax knowledge and taxpayer compliance behavior in
Libya.

3.3.2.2 Tax Complexity

Tax complexity is a multidimensional concept that is defined by different people with different views. Evans and Tran-Nam (2013) outlined three tax complexity from the perspective of tax accountants, tax lawyers, and taxpayers. The tax accountant consider the tax complexity as the time it takes to prepare income tax returns which includes the tax planning basically the time it takes to give tax advices and consultancies.

The tax lawyer, view tax complexity as they viewed from the point of difficulty in reading, understanding, and interpreting tax laws for easy tax compliance by the taxpayer. The taxpayer, considered the tax complexity from the view point of the time taken and cost incurred in complying with the relevant tax legislations. Thus, this study view tax complexity based on the basis on time consumed in complying with the relevant tax laws by the taxpayers, which is in line with the point of views of the tax accountants and taxpayers.

Based the previous study conducted in Malaysia by Saad et al. (2014) examines the complexity of Malaysian Income Tax system through the readability perspective. For that purpose, the ITA 1967 and the schedules to the ITA 1967 were analyzed using two established readability measures

namely; the FRES and F-KGL. Overall, the results on the readability of the ITA 1967 using the FRES and F-KGL analysis indicate that, the tax legislation is complex and difficult to comprehend by an the average Malaysian taxpayer. Therefore, the research has shown that, the level of tax law complexity has a significant relationship with the level of tax compliance.

A similar study conducted in Malaysia by Mustafa (1996) studied the taxpayers' perceptions towards self-assessment system which was about to be introduced (as of the time), suggested the presence of tax complexity in Malaysia, particularly in regards to the recordkeeping, detail in the tax law and ambiguity. The research findings were partially consistent with the six potential causes of complexity categorized as ambiguity, calculations, changes, details, forms and record-keeping, as identified by the study of Long and Swingen (1987). Such complexity were also present in Australia whereas it forces the taxpayers to engage the services of the tax agents to deal with their tax matters on their behave Mckerchar (2001). Furthermore, the study of Mckerchar (2003) identify the most common problem that is been faced by the taxpayers is the basic understanding of the instructions in the Taxpack 2000. This causes serious problems to the taxpayers towards the understanding the simple rules of the tax return forms and other relevant written documents provided by the tax authority.

Another study conducted by Richardson (2006) he studies on 45 countries found that complexity is the most important determinant of non-compliance apart from factors like education, income source, fairness and tax morale. His research findings were consistent with the findings of Cox and Eger III (2006) which focused on the State Road Funds in the State of Kentucky in America. The authors further found that, the procedural tax complexity contributes towards an increase in tax

non-compliance by taxpayers. Similarly, the findings were acknowledged by Kirchler, Niemirowski, and Wearing (2006) in their research, it was found that, the taxpayers were more likely to comply when the tax law was perceived as less complex.

Complexity in tax law has been in existence for so long and has been identified as one of the important factors of tax compliance behavior within tax system. According to these studies, the results were also the same as found by Saad, Mat Udin, & Derashid (2014), Brainyyah and Rusydi (2013), Mustafa (1996), Saad (2010), Richardson (2006), Kirchler and Wearing (2006); against that, the tax complexity influences the taxpayers compliance behavior a significantly and negatively. Therefore, the current study developed the hypothesis:

H2: There is a significant negative relationship between tax complexity and taxpayer compliance behavior in Libya.

3.3.2.3 Public Governance Quality

The association between the public authority and the individual taxpayers is according to the exchange law of simple psychology which intend to integrate the parties involved based on the spirit of cooperation and mutual understanding and benefits. There are several matters concerning the public authorities, which might have an effect to compliance behavior in tax of the individual taxpayers. These might comprise, the control of public authority finances, the selection or appointment of the holders of the public offices and the delivery of public services, etc. Kaufmann, Kraay and Zoido-lobation (2002) and Kaufmann et al. (2007) established that the provision of the good to the public can comprise of the following; the effort of the public authority in the providing

qualitative public services, the engagement in the public authority through provision of democracy and accountability in all sectors and level of government, providing political firmness, laws and order adherence and reducing effective major to comb and control corrupt practices, regulatory adherence quality. Prior literature discusses and present facts that indicate there is a positive association between government effort in providing public services and the tax compliance behavior.


The study of Alabede, Ariffin, and Kamil (2011) test the relationship between taxpayers' perception about public governance quality and their compliance behavior. The study involved a survey of individual taxpayers' opinion, perception and behavior about the public governance quality. The major finding of this study is that the public governance quality has significant positive relationship with the tax compliance behavior.

Moreover, another study conducted by Alabede (2012) investigates empirically the basic factors of individual taxpayers compliance behavior in Nigeria, in order to uncover the causes of noncompliance. The study was designed using taxpayers' opinion survey method and the findings of the study suggested that, the public governance quality, plays a vital role in the tax compliance behavior of taxpayers. Similarly, Akpo (2009) indicated that, the public governance quality involves the provision of basic public services to the public and that when the government fails to offer quality service, facilities and infrastructure to the citizens in exchange for amount paid as tax, the citizens might become unwilling to comply with tax authority.

However, based on recent study conducted in Malaysia by Ser (2013) found out that the factors that influence the taxpayer's tax non-compliance decision in Malaysia. The questionnaire method

was used in the collection of data used in the study. The questionnaires are distributed to public and with about 247 respondents as taxpayers, the responses are collected and analyzed. The research findings indicated that the public governance quality affect the tax non-compliance negatively.

Public of governance quality has been in existence for so long and has been determined as one of the factors of tax compliance behavior. Based on the mentioned above, the findings were also the same as positively with tax compliance behavior found by Alabede (2012); Alabede, Ariffin, and Kamil (2011); Akpo (2009); Kaufmann et al. (2007). Therefore, this study developed the hypothesis:



H3: There is a positive relationship between public governance quality and taxpayer compliance behavior in Libya.

3.3.2.4 Perceptions of Government Spending

The taxpayers and most especially those that pay high amounts of tax are very sensitive on how the government spends their money, the government have to be wisely in spending the national revenue, for instance, the basic facilities like education, health and security and public transportation, it is likely that voluntary compliance level will increase. In contrast, if taxpayers perceive that the government is spending too much on something considered unnecessary or not beneficial to them, then the taxpayers will feel deceived by the government and will attempt to

evade the tax payment and in turn, this will increase the level of tax noncompliance by the taxpayers (Engida & Baisa, 2014).

In another study conducted in Ethiopia by Tehulu (2014) examined the determinants of tax compliance behavior in Ethiopian particularly in Bahir Dar city. The data was collected using a structured questionnaire, and the results discovered that, the perception of taxpayers on the government spending was considered as a significant factor that affect the tax compliance behavior. Palil et al. (2013) attempted to discover the determinants of the tax compliance in Malaysia in a self-assessment system (SAS) given a special emphasis on the individual taxpayers, and investigate four tax compliance determinants. Based on the survey carried out using 1,073 respondents, the research suggested that a high probability of the individual taxpayer's perception of government spending encourages the level of the tax compliance.

The study conducted in Nigeria by Modugu (2014) examines the impact of tax audit and other qualitative aspects on the tax compliance level of companies in Nigeria. The questionnaires method of data collection was used and the questionnaires were administered to staff of the sampled companies in selected states of the five geopolitical zones in Nigeria. The results revealed that, there exists a significant positive relationship between government spending and the tax compliance. This implies that there is an increase in government spending on the social and welfare needs of the citizens. This has a tendency to positively influence the tax compliance level of the taxpayers. It can be observed that the positive relationship findings between perception of government spending and tax compliance behavior by previous studies of Engida & Baisa, (2014)

Tehulu (2014), Palil et al. (2013), Modugu (2014). Based on this, the researcher developed this hypothesis:

H4: There is a positive relationship between perceptions of government spending and taxpayer compliance behavior in Libya.

3.4 Summary of Hypotheses

Table 3.1 provides the summary of the hypotheses developed based on the four independent variables which includes the tax knowledge, tax complexity, public governance quality and perceptions of government spending and their relationship with the dependent variable, the taxpayer compliance behavior. Table 3.1 gives the brief summary of the developed hypotheses and the variables used in the study.

Table 3.1

The Independent Variables and the Hypotheses

No	Independent variables	The hypothesis
1	Tax Knowledge	There is a positive relationship between tax knowledge and taxpayer compliance behavior in Libya.
2	Tax Complexity	There is a significant negative relationship between tax complexity and taxpayer compliance behavior in Libya.
3	Public Governance Quality	There is a positive relationship between public governance quality and taxpayer compliance behavior in Libya.
4	Perception of Government Spending	There is a positive relationship between perceptions of government spending and taxpayer compliance behavior in Libya.

3.5 Research Design

The research design is a strategic plan which revealed how the study is conducted ranging from the measurement, analysis and overall achievement of the research objectives through testing of the hypothesis developed. The reason of conducting the research survey is to examine the factors that affects the taxpayer compliance behavior in Libya. An investigative research approach was used in order to deduce the quantitative research. The variables are measured and quantified in

numerical form for easy coding and analysis to achieve the objectives. In order to effect the relationship between factors and the taxpayer compliance behavior, statistical methods and techniques were applied on the data collected.

This involved experimental relationship between the independent variables which consists of (tax knowledge, tax complexity, public governance quality and perceptions of government spending) and the dependent variable (taxpayer compliance behavior) based on the hypothesis developed indicating a significant relationship were tested.

3.6 Questionnaire Design

The questionnaire consists of several parts, firstly the questionnaire, introduced a letter to the participants in order to express their gratitude for their participation in the research. The questionnaire is subdivided into three sections and comprises of 32 questions. First section presents questions on the demographic characteristics of the participants, which includes their gender, age, marital status, highest education level, annual income, the period spent as a taxpayer. The demographic information characteristics of the taxpayer are important in determining how the personal characteristics influence the compliance behavior in tax payment. The notion which indicate the existence of the existing taxpayers are asked in order to avoid biases in the data collection.

However, the responses of non-taxpayers were ignored during the analysis, the aim of the research is to examine the factors that influence the compliance behavior in tax among Libyan taxpayers.

The second section of this questionnaire is further sub-divided into five parts, the first part one asked questions based on the respondents preference on towards the taxpayer compliance behavior; second part try to obtain the participants views about the tax knowledge; the third part asked about, the tax complexity of participants; fourth part asked about, how the participants perceive the quality of public governance and the fifth part five is aimed at finding out, the individual taxpayer perceptions towards the government spending.

The final section of the questionnaire is aimed at finding the respondents' views towards the taxpayer compliance behavior among individuals in Libya and perceive on the possible aspects in increasing the tax compliance by presenting an open ended question for the respondents gave their views.

According to Richardson (2006), Osebe (2013) , Saad (2010), Ser (2013) and Zeng (2014) findings are being modified, in order to be suitable to the present study on the Libyan context. 5-point Likert scale is being used in this section for respondents to indicate the extent of their agreement or disagreement of each statement, from 1 to 5, where 1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree; and, 5 = strongly agree.

3.7 Data Collection Methods

Primary Data

Abdul-Jabbar and Pope (2008) stated that, the primary data is indicated as the first handpicked data which normally gathered by the responses of the target respondents by means of survey form or questionnaire and the face-to-face. This is the most frequently-used data collection method in the tax compliance studies and derived from the self-reporting either on the hypothetical scenarios or tax-related questionnaires. In addition, the new era, presents the needs to be as fast and efficient as possible. Most importantly is less time-consuming in dealing with.

Hence, in this study, a self-administered questionnaire was distributed to the potential respondents in electronic form by using the Google Drive, which allows the respondents to fill in a questionnaire via internet base. It also helps to save paper in printing and cost, the Google Drive is a new creation of Google, which function under the Google Drive and it is designed for researchers to create online questionnaires and generate survey link that enables respondents to fill in online survey forms.

Responses of the respondents that participated in the survey are recorded and the data are tabulated and downloaded as a report in Excel form, and used in the Statistical Package for the Social Science (SPSS) software for further analysis. The problems arising due to the political conflicts in the country as well as the weakness of internet services and the website of the Tripoli Tax Authority is create problems to the research and forced the researcher to distribute the questionnaires among Libyan students in Malaysia since they are considered part of individual taxpayers in Libya.

The primary data collection in this study was collected using two ways. Firstly, a survey link sent to the respondents through email, and it was shared through social networking site such as Facebook. Secondly, is the face-to-face survey that is taken into consideration in order to achieve more responses from the respondents.

3.8 Population of the Study and Sample Size

The population of the research consists of individual taxpayers from both the public and private sectors; which involves 16,543 taxpayers (Libyan Tax Authority, 2015). However, due to the time, budget and geographical distance constraint, it is difficult to collect data from the entire population of Tripoli state taxpayers in Libya. Based on the large size of the population, the appropriate sample size selected for this study is 377 (Sekaran, 2013).

3.9 Sampling Technique

According to Sekaran (2013), sampling is the process of selecting a sufficient number and appropriate characteristics of elements from the population so that it would be possible to generalize the characteristics of the population based on simple random sampling techniques. By using this sampling technique, 377 samples were randomly selected from Libyan students in Malaysia since they are considered part of individual taxpayers in Libya.

Based on the information from the Embassy of Libya in Kuala Lumpur as shown on Appendix G there are 1213 of Libyan students who are currently studying in Malaysia that consist of 991 males and 512 female. These students are holding a scholarship from the Libyan Ministry of higher

education and scientific research. This study uses Microsoft Excel function to generate number random sample among Libyan students.

3.10 Measurement of Variables

There are four variables selected in this research in order to examine the influences of the variables towards taxpayer compliance behavior, which includes, the tax knowledge, tax complexity, public governance quality and perception of government spending. These variables are measured with items which are adapted from several studies for instance Richardson (2006), Osebe (2013), Saad (2010), Ser (2013) and Zeng (2014). The items of each measurement are measured using 5-point Likert scale, where 1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree; and, 5 = strongly agree. These measurements are shown on Appendix A.

The questionnaire is divided into three sections i.e. Section A - demographic profile of the respondents. Section B - dependent and independent variables (items) and Section C - open ended question for the respondents to give their views about tax compliance behavior.

Section A is used to identify the profile of the respondents the multiple measures have been taken into consideration. Close ended questions have been asked for gender, age, marital status, education level, annual gross income and years of being a taxpayer. All these were measured using multiple choice scales.

Section B is further divided into five parts as follow:

Part 1

This section includes the questions that are relate to the dependent variable, i.e., the taxpayer compliance behavior. There are 5 items to measure the dependent variables as follows:

1. I use to trade or exchange goods and services with a friend or neighbor and not report in my tax returns.
2. I fully declare my principal income, but not including my part-time income.
3. I do not report my earning from interest or investment that is not registered with government.
4. I would understate income (employment income, rental income and so on) if the amount is relatively small.
5. It is wrong if a taxpayer does not report all of his or her income in order to pay less income tax.

In this section, a Likert scale of five points (1= strongly disagree, 2= disagree, 3= neutral, 4= agree, 5= strongly agree) were used.

Part 2-5

This section includes the questions that are related to the independent variables, i.e., the factors that influence the taxpayer compliance behavior in Libya. There are 20 items on the independent variables: tax knowledge (5 items), tax complexity (5 items), public governance quality (5 items) and perceptions of government spending (5 items). In this section, a Likert scale of five points (1= strongly disagree, 2= disagree, 3= neutral, 4= agree, 5= strongly agree) were used.

3.11 Pilot Test

Prior to distributing the survey questionnaire to respondents, a pilot test was conducted. The Pilot study is a smaller size of testing before conducting a full-scale of study. The pilot test is important in ensuring that, the research is successfully conducted with the accurate required questions in larger scale later, the pilot test is aimed to assess and uncover the weaknesses of the questionnaire before distributing to respondents. The pilot study identify and eliminate the ambiguities, and also the difficult questions and make sure that the measurement scales are correctly used and also ensure the questionnaire is well and properly structured.

The sample of 40 questionnaires were self-administered and duly completed by the target respondents. The respondents were are mainly the Libyan students in University Utara Malaysia. The calculated value of (Cronbach's Alpha) shows that the items are internally consistent and related to each other. The analysis shown in table 3.5, that the reliability Cronbach's Alpha of the variables are acceptable as they range from (0.60 - 0.835). The result shows that the Cronbach's Alphas are within the range of 0.6 and above. This study indicated that, the questions are consistent and reliable in capturing the information from the respondent. As stated by Sekaran and Bougie (2010) that the alpha value of 0.6 is generally considered sufficient, acceptable and the variables is appropriate for further analysis.

Table 3.2*Reliability Results of Each Variable*

Variables	No. of Items	Cronbach's Alpha
Taxpayer Compliance Behavior	5	0.707
Tax Knowledge	5	0.60
Tax complexity	5	0.835
Public governance quality	5	0.829
Perceptions of Government Spending	5	0.779

3.12 Data Analysis Techniques

In this study, the Statistical Package for the Social Science (SPSS) Version 22.0 is used to analyze and code the data collected from questionnaires. The accurate data analysis techniques are correctly used, in order to give sufficient evidence in answering the research questions and hypotheses that had been developed in previous chapters. The descriptive and inferential analysis like T-test, one way Anova and Pearson's Correlation were employed to analyze the data in the study.

3.13 Chapter Summary

The study uses the questionnaire method of data collection, an exploratory research is conducted based on deductive approach and reliability analysis are used to analyze the data. The methods cover in this chapter aim at providing a better comprehension of the way the analyses are conducted in subsequent chapters.



CHAPTER FOUR RESEARCH FINDINGS

4.1 Introduction

The data gathered from the questionnaires were further analyzed to test the hypotheses developed in the earlier chapter in order to achieve the objectives of the study. The Statistical Package for the Social Science (SPSS) Version 22.0 is used to analyze the data. This chapter first describes the response rate and the demographic of respondents, which is defined in the form of percentage for gender, age group, marital status, education level, annual income level and also their years of being a taxpayer. The reliability analysis was also presented, which consists of the cronbach alpha test. The study also discusses the results obtained from the t-test, one way Anova, Pearson correlation and regression analysis in order to measure and test the relationship between the variables.

4.2 Response Rate

A total of 400 questionnaires was distributed to Libyan students in Malaysia since they are considered part of individual taxpayers in Libya. Out of 400 questionnaires distributed, only 258 copies of the questionnaires were returned, which is representing a response rate of 64.50%. After a thorough scrutiny of the questionnaires returned, it was discovered that, only 230 were usable for the analysis. Out of 230 questionnaires, there were instances of incomplete, misinterpreted or fill in with mistakes. Hence, the useful response rate is 57.50%, which is considered acceptable. Sekaran (2010), stated that, the response rate of 30% is acceptable for surveys. Table 4.1 shows the response rate and a summary of the distributed, collected and usable questionnaires for this research.

Table 4.1*Summary of the Total questionnaires and The Response Rate*

Total number of questionnaires	400
Returned questionnaire	258
Usable questionnaire	230
Unusable questionnaire	28
Response rate	64.5%
Usable response rate	57.5%

4.3 Respondents Profile

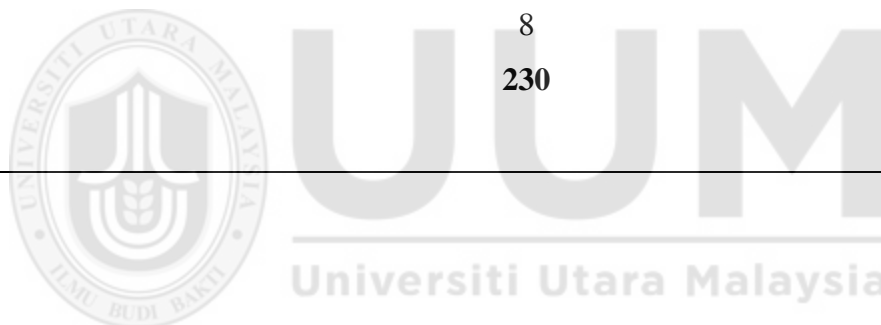
This sub-section presents the descriptive statistics of the respondents involved in this research, and the characteristics of 230 usable questionnaires describe in this section includes: gender, age, marital status, annual gross income, and years of being a taxpayer.

Table 4.2*Demographic Profile of the Respondents*

Demographics	Frequency(n=230)	Percentage (%)
Gender		
Male	178	77.0 %
Female	52	23.0 %
Total	230	100%
Age (years)		
18-24	41	18.0%
25-31	95	41.0 %
32-38	43	19.0%
39-45	36	16.0%
46-52	14	6.0%
52 and above	1	.4%
Total	230	100%
Marital Status		
Single	138	60.0%
Married	77	34.0%
Divorced	11	5.0%
Widow	4	2.0%
Total	230	100%
Education Level		
Before secondary school	0	0
Up to secondary school	0	0
Diploma	3	1.0%
Bachelor degree	53	23.0%
Postgraduate (MCS / PhD)	174	76.0%
Total	230	100%

Annual gross income		
L.D 10000-15000	149	65.0%
L.D 15001-20000	70	30.0%
L.D 20001-25000	10	4.0%
L.D 25001 and above	1	.4%
Total	230	100%

Years of being taxpayer		
1-5	137	60.0%
6-10	0	0
11-15	65	28.0 %
16-20	20	9.0%
21 and above	0	0
Never	8	3.0%
Total	230	100%



The results obtained from table 4.2 above shows that, out of the 230 respondents that participated in the survey for gender, 178 were males which represent total of 77.0 % whereas the outstanding 52 were females, which represent 23.0 % to form the 100%. In terms of age of the respondents that participated in the study, 41 which represent 18.0% of the respondents are in between the age range of 18-24 years, while 95 which is equivalent to 41.0% are in between the age range of 25-31 ages, while 43 of the respondents which represents a total of 19.0% were in between the age range of 32-38 years, furthermore, 36 of the respondents which represents 16.0% were in between the range of 39-45 years, 14 respondents which represent 6.0 % are in between the age range of 46-52 years, and 1 of the respondents were over 52 ages and represent 0.4% from the overall total of the respondents that participated in the survey. In addition, 138 respondents equivalent to 60.0%

are single, while 77 respondents representing 34.0% are married, 11 respondents, representing 5.0% are divorced and finally 4 respondents, representing 2.0% are widows. This is because the Libyan economic structure constitutes the majority of single individuals in the labor force and are considered as taxpayers.

Furthermore, educational level of the majority of the respondents that obtained a master/PhD are 76.0%, and those with bachelor and diploma are 23.0% and 1.0% respectively. In addition, with regards to the respondent's annual income, the majority of the respondents earned between L.D 10000- 15000 annually, and the total of 149 representing 65.0% earned L.D 10000- 15000, while 70 respondents equivalent to 30.0 % earned L.D 15001- 20000 and 10 respondents, which represents 4.0% earned L.D 20001- 25000, which is a considerably higher amount. The descriptive results of this study also show that only 1 respondent presenting 0.4% earned above L.D 25001.

In addition, table 4.2 above also shows, how long the respondents have become taxpayers. The researcher asked this question in order to know the extent of years and experience that influences either a positive or negative tax payment attitude. The results highlighted that 137, which represent 60.0%, are in between 1-5 years of tax payment and no respondent for taxpayers in between 6-10, years while, 28.0% and 65 respondents are in between 11-15 years. Finally, 20 and 8 represents 9.0% and 3.0%, there was no responses for respondents in 21 and above years as taxpayers respectively.

4.4 Data Screening

The multicollinearity appears in the situation whereby an individual predictor variable is highly correlated with another group of predictor variables (Mayer, 1999). The data used in this study was discovered to have no issues of missing values and free from outliers, in addition, the data are normally distributed from the results obtained in the normal probability plots, and thus, the assumption of this test was not disrupted. Moreover, the study test for the multicollinearity using variance inflation factor (VIF) and also the tolerance to determine a highly correlated variables. Based on the multiple regression analysis as illustrated in table 4.3, the results show that, the tolerance value range from 0.772 to 0.984, and the variance inflation factor (VIF) value was ranging from 1.016 to 1.296. This shows that, the tolerance value is substantially greater than 0.10 and the VIF is less than 10, it can be established that, there is no issue multicollinearity among the variables (Pallant, 2007).

Table 4.3

Testing for Multicollinearity on Assessment of Tolerance and VIF Values

Variables	Tolerance	VIF
Tax Knowledge	0.837	1.194
Tax complexity	0.772	1.296
Public governance quality	0.879	1.137
Perception of government spending	0.984	1.016

4.5 Descriptive Statistics

This part highlighted the mean and standard deviation scores of the variables covered in this study, five variables which includes; taxpayer compliance behavior, tax knowledge, tax complexity, public governance quality and perception of government spending are measured using a 5 point Likert scale. A descriptive analysis of all five variables is illustrated in table 4.4.

Table 4.4

Descriptive Statistics for Variables

Variables	n	Minimum	Maximum	Mean	Standard Deviation
Taxpayer Compliance Behavior	230	9.00	25.00	20.70	3.17
Tax Knowledge	230	8.00	25.00	18.67	3.46
Tax Complexity	230	8.00	25.00	19.60	3.65
Public Governance Quality	230	8.00	25.00	22.53	2.17
Perception of government Spending	230	8.00	25.00	22.63	2.27

Table 4.4 above indicated that the dependent variable i.e. taxpayer compliance behavior and the independent variable which includes the tax knowledge, tax complexity, public governance, quality and perception of government spending, recorded a mean score of 20.70, 18.67, 19.60, 22.53, and 22.63 respectively. In addition, the standard deviation recorded are 3.65 for tax

complexity, tax knowledge 3.46, perception of government spending 2.27, public governance quality 2.17, for the dependent variable the standard deviation is 3.17. Based on the above table perception of government spending has a higher mean score of 22.63 far above the remaining variables; whereas, tax knowledge 18.67 mean score which is the lowest between the independent variables.

4.6 Reliability Analysis

Reliability is referred as to what extent the measurement is free from error. The reliability analysis procedure provides information about the relationships among individual items in the scale and their internal consistency. There are several approaches for assessing the reliability such as test-retest, alternative forms and alpha coefficient also known as Cronbachs Alpha.

However, several literature has shown that 0.60 is generally considered sufficient and satisfactory for further analysis and value less than 0.6 are considered unsatisfactory internal consistency reliability, whereas a value exceeding 0.6 is acceptable reliability, and those over 0.8 are good. Thus, the higher the Alpha value or closer the reliability coefficient of 1.0 the higher the reliability of the measurement of items will be (Sekaran 2003 & 2010).

This study presents the findings resulting from reliability analysis and its range from 0.639 to 0.709. The variables show acceptable value as presented in table 4.5 and the cronbachs alpha value are greater than 0.6. These findings indicate that all the variables show acceptable reliability.

Table 4.5*Reliability Test of the Study*

Variables	No. of Items	Cronbach's Alpha
Taxpayer Compliance Behavior	5	0.645
Tax Knowledge	5	0.639
Tax Complexity	5	0.648
Public Governance Quality	5	0.684
Perception of Government Spending	5	0.709

4.7 Pearson Correlation Analysis

The Pearson correlation is a technique that is used to describe the strength of the relationship between two continuous variables. This gives an indication of the direction (whether it is positive or negative) as well as the level of the strength of the relationship (Pallant, 2013).

This section explained the level at which one variable is correlated with another variable. Asteriou and Hall (2007) stated that, the correlation analysis used in explaining the independents and dependent variables' relationship. This helps in estimating various models, correlation coefficients of 0 means no relationship, ± 0.30 to ± 0.49 stands for weak positive or negative relationship, $\pm \geq 0.50$ stands for substantial strength relationship, and ± 1.0 means perfectly positive or negative correlation. Table 4.6 presents the correlation matrix among the variables.

Table 4.6*Pearson Correlation of the Study Variable*

	TCB	TK	TC	PGQ	PGS
Taxpayer Compliance Behavior	1				
Tax Knowledge	0.460**	1			
Tax Complexity	0.018	0.386**	1		
Public governance Quality	0.140*	0.178**	0.341**	1	
Perception of government Spending	0.158*	-0.090	0.034	0.049	1

** Indicates correlation is significant at the 0.01 level (2-tailed)

* Indicates correlation is significant at the 0.05 level (2-tailed)

Note: TCB= Taxpayer Compliance Behavior; TK= Tax Knowledge; TC= Tax Complexity; PGQ= Public Governance Quality; PGS= Perception of Government Spending.

Table 4.6 shows that, tax knowledge and taxpayer compliance behavior have a significant positive relationship with a correlation value of 0.460 ($p < 0.01$). Meanwhile, tax complexity and taxpayer compliance behavior indicated a positive correlation with a correlation coefficient (r) = 0.018 ($p > 0.05$) which is a weak and no significant relationship at more than 5% level. While public governance quality and the taxpayer compliance behavior have a weak positive significant correlation because the value is 0.140 (14%) as shown in the table. Moreover, perception of government spending is correlated with the taxpayer compliance behavior is also weak, positive and a significant correlation of 0.158 (15.80%) ($p > 0.01 < 0.05$).

The correlation between tax complexity and tax knowledge is significantly positive with a value of 0.386 representing (38.60%) at a level 1%. Besides, public governance quality association with tax knowledge also have a significant positive relationship of 0.178 (17.80%). In addition, perception of government spending and tax knowledge have a weak negative and no significant correlation because the value is -0.090 (-9.0%) ($p > 0.05$).

However, public governance quality correlation with the tax complexity shows a significant positive relationship with a value of 0.341 (34.10%) at a 1% level of confidence. Moreover, tax complexity has a weak and no significant positive relationship with the perception of government spending with a correlation value of 0.034 (3.40%). The correlation between the perception of government spending and public governance quality shows a weak positive relationship with a value of 0.049 representing (4.90%).

It can be observed that, the three variables have positive and significant correlation with taxpayer compliance behavior at the 1% level of confidence. The exception of tax complexity is also positive but not significant with more than 5% level of confidence. Based on the above stated analysis, the study predicted the absence of multicollinearity problems since, there is no statistical stronger correlation greater than 80% among the studied variables (Pallant, 2013).

4.8 Assumption Test

The issues of normality, linearity, histogram and independence of residuals are studies of the residual scatter plots to test the assumption (Coakes & Steed, 2009).

Figure 4.1 below, shows the normal plot of regression standardized residuals for the independent variable and are relatively normally distributed.

Figure 4.1 Histogram of dependent variables (TCB)

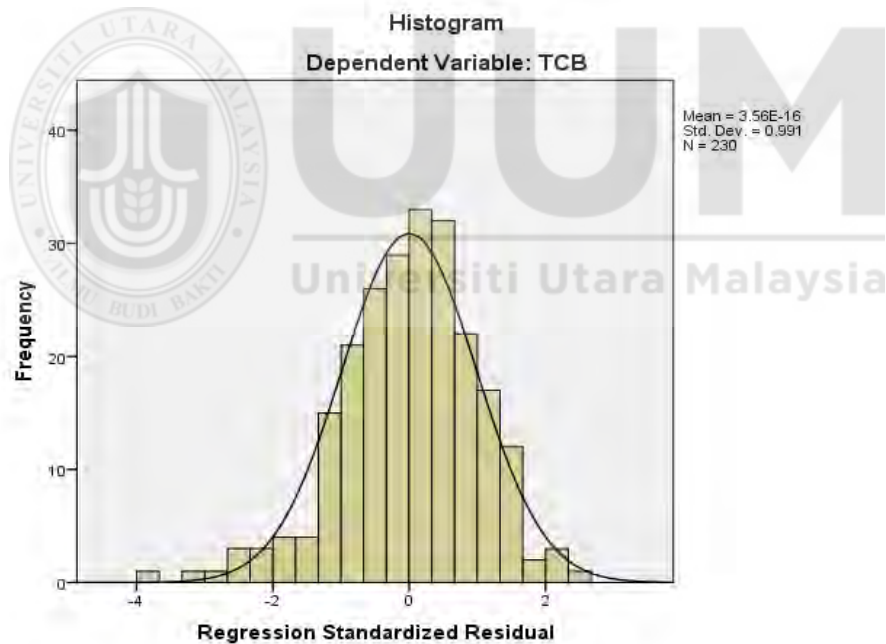
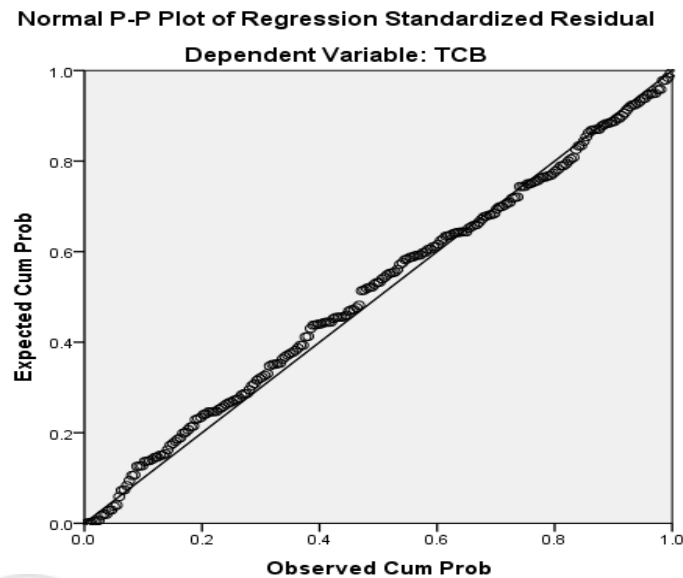


Figure 4.2: Normal P-P plot of regression standardized residual



4.9 Multiple Regression Analysis

This part of the study emphasized on the relationship between the dependent variable and the independent variables of the study by using the multiple regression techniques. The multiple regression is the most common technique used in ascertaining the relationship between variables. This research is aimed to predict a single continuous dependent variable by a given continuous independent variable (Pallant, 2013). The statistical package of social science (SPSS) was used to determine the relationship between the variables, in order to address this study's research questions. The multiple regressions were employed by the study to explore the relationship between independent variables and the dependent variable using the SPSS version 22.0. The independent variables involved in the regression analysis are the tax knowledge, tax complexity,

public governance, quality, perception of government spending and the taxpayer compliance behavior (dependent variable). Thus, the result of the multiple regressions summary of the regression model is shown below in Table 4.7

Table 4.7

Summary of the Regression Model

Model	R	R square	Adjusted R Square	Stand. Error of the Estimate	Durbin. Watson
1	0.547 ^a	0.299	0.287	2.68066	2.303

a. Predictors: (Constant), tax knowledge, tax complexity, public governance quality, perception of government spending.

b. Dependent Variable: Taxpayer compliance behavior.

The adjusted R² of 0.287 representing 28.7%, indicates that, the variables in this study only contribute an amount in the correlation with the taxpayer compliance behavior. This can be described by the number of independent variables that have been used in this research.

Table 4.8

ANOVA ^a						
	Model	Sum of Squares	DF	Mean Square	F	Sig.
1	Regression	689.858	4	172.465	24.000	.000
	Residual	1616.837	225	7.186		
	Total	2306.696	229			

a. Dependent Variable: Taxpayer Compliance Behavior

b. Predictors: (Constant), Perception of Government spending, Tax Complexity, Public Governance Quality, Tax Knowledge.

It can be observed from the ANOVA statistics in the table above, the p-value of 0.000 which is less than 0.05 is that the model is statistically significant. Furthermore, there is a regression relationship between taxpayer compliance behavior and the independent variables which are tax knowledge, tax complexity, public governance quality and perception of government spending based on the F-value of 24.000.

Table 4.9*Coefficients of the Regression Analysis Results*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.867	.2627		1.852	.065
	Tax Knowledge	.507	.056	.552	9.051	.000
	Tax complexity	-.210	.055	-.241	-3.795	.000
	Public governance Quality	.167	.087	.114	1.917	.056
	Perception of government spending	.294	.079	.211	3.745	.000

a. Dependent Variable: Taxpayer Compliance Behavior

Hypothesis 1: The Unstandardized coefficient beta (β) for the tax knowledge is 0.507, this indicates that, there is a significant positive relationship between tax knowledge and taxpayer compliance behavior. The value of $P= 0.000$ and $t= 9.051$ is positive and therefore, this result supported the assertion of the first hypothesis and concludes that, the 1% increase in the tax knowledge lead to increase in the taxpayer compliance behavior by 50.7%.

Hypothesis 2: stated that, there is a significant negative relationship between the tax complexity and the taxpayer compliance behavior in Libya. Based on the analysis carried out, the results show that there is a significant negative relationship between tax complexity and the taxpayer compliance behavior with an unstandardized coefficient beta (β) of $-.210$, $P=.000$ and t -value of -

3.795, hence it supports the second hypothesis, and concluded that, the 1% increase in the tax complexity and lead to the decrease of 21.1% in the taxpayer compliance behavior.

Hypothesis 3: stated that, the public governance quality has a positive relationship with the taxpayer compliance behavior. This is statistically significant at 10% confidence level ($\beta = .167$, $t = 1.917$, and $p = .056$); this shows that, public governance quality has a positive and significant with the taxpayer compliance behavior and hence this supported the claim of third hypothesis, hence, an increase of 1% in the public governance quality leads to an increase of 16.7% in the taxpayer compliance behavior.

Hypothesis 4: lastly, the result of the multiple regression base on the perception of government spending has a positive relationship with taxpayer compliance behavior and this is statistically significant at ($\beta = .294$, $t = 3.745$, and $p = .000$). This implies that, the perception of government spending is significant at less than 1%, and 1% change in the perception of government spending of taxpayers will enhance the taxpayer compliance behavior by 29.4%. Thus, the fourth hypothesis is also supported.

The result of hypothesis testing of the determinants construct is summarized below in tables 4.10 and 4.11.

Table 4.10*Summary of Hypothesis Testing Results from Multiple Regression Analysis*

Hypothesis	Variable	Beta	SE	t-value	P-value	Sig.
H1	Tax knowledge	.507	.056	9.051	.000***	Supported
H2	Tax Complexity	-.210	.055	-3.795	.000***	Supported
H3	Public governance quality	.167	.087	1.917	.056*	Supported
H4	Perception of government spending	.294	.079	3.745	.000***	Supported

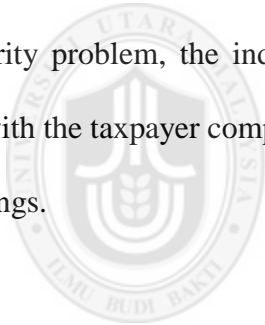
*** p<0.01, ** p<0.05, * p<.10

Table 4.11*Summary of Hypothesized Relationships*

Hypothesis	Relationship	Findings
H1	There is a positive relationship between tax knowledge and taxpayer compliance behavior in Libya.	Supported
H2	There is a significant negative relationship between tax complexity and taxpayer compliance behavior in Libya.	Supported
H3	There is a positive relationship between public governance quality and taxpayer compliance behavior in Libya.	Supported
H4	There is a positive relationship between perceptions of government spending and taxpayer compliance behavior in Libya.	Supported

4.10 Chapter Summary

This chapter discusses and presents the result obtained from the multiple regression and data screening in order to establish the relationship between four independent variables, which includes: tax knowledge, tax complexity, public governance quality and perception of government spending in relation to the dependent variable, which is the taxpayer compliance behavior, this is conducted in relation with the relevant empirical previous literatures. The data used to conduct the study were obtained from 230 respondents which represented a response rate of 57.50 %. Several tests were used to analyze the data and then used by the primary method of data collection (questionnaire) in order to gather the data used to conduct the analyses, covering the four independent variables that explained 28.7% change to the taxpayer compliance behavior. The data are also free from the multicollinearity problem, the independent variables had established a statistically significant relationship with the taxpayer compliance behavior. The next chapter discusses and concludes the research findings.



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CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the summaries and discusses the research findings of the effect between the independent variables (tax knowledge, tax complexity, public governance quality, perception of government spending) and the dependent variable (taxpayer compliance behavior). The chapter introduces the outline of the study and the discussions regarding the summary of the research findings, the implication of the study as well as the limitation and finally the recommendation and conclusion of the study.

5.2 Summary of the Study

This study examined the effect between the independent variables (tax knowledge, tax complexity, public governance quality, perception of government spending) and the dependent variable (taxpayer compliance behavior). The data was collected from Libyan students in Malaysia as they are considered part of individual taxpayers in Libya. The set of Four hundred (400) questionnaires were distributed out of which only 258 copies of the questionnaires were returned, which is representing a response rate of 64.50%. After a thorough scrutiny of the questionnaires returned, it was discovered that, only 230 were usable for the analysis.

The objective of this study is to examine the effect on the taxpayer compliance behavior by conducting an empirical analysis. Similarly, the research questions have been answered by the results obtained from the analysis, and the effect between the variables were assured and confirmed

through their examination. The level of the compliance behavior was also measured and confirmed by the finding as argued in previous chapters of the study. Hence, the objectives and questions of this research have been addressed. The research had been set up to achieve the following objectives:

- i. To examine the effect of tax knowledge on taxpayer compliance behavior in Libya
- ii. To examine the effect of tax complexity on taxpayer compliance behavior in Libya.
- iii. To examine the effect of public governance quality on taxpayer compliance behavior in Libya.
- iv. To examine the effect of perception government spending on taxpayer compliance behavior in Libya.

5.3 Discussion of Results

This section discusses and explain the effect between independent variables with taxpayer compliance behavior based on the finding of this study. Variables covered by the present study are discussed in the context of the Libyan economy. The following discussion is derived from the results of correlation analysis and regression analysis results.

This section discusses and explain the effect between the independent variables and the dependent variable (taxpayer compliance behavior) based on the finding of the study, this indicate that, the variables covered by the present study are discussed in the context of the Libyan economy. The following discussion is derived from the results from the analysis performed based on the correlation and regression analysis.

5.3.1 Tax Knowledge and Taxpayer Compliance Behavior

The first hypothesis developed and tested is based on the relationship between the tax knowledge and the taxpayer compliance behavior. In examining the relationship in hypothesis one (H1) which stated, there is a positive relationship between the tax knowledge and taxpayer compliance behavior, the results obtained indicates that tax knowledge had a significant positive relationship with the taxpayer compliance behavior ($\beta = 0.507$, $t = 9.051$, $p < 0.01$), thus, support the proposed hypothesis. This shows that, the tax knowledge plays a crucial role in effecting the taxpayer's attitude toward tax compliance behavior. It also suggests that, the individual taxpayers with higher knowledge level tends to have a compliance behavior and attitude of complying more and understanding of tax regulations to meet tax obligations.

Furthermore, the result of this study was consistent with the previous empirical researches that found positive relationship between the tax knowledge and taxpayer compliance behavior, among which include: Eriksen & Fallan, 1996; Chan, T & O'Bryan, 2000; Adbul, 2001; Roshidi, Mustafa & Asri, 2007; Palil, 2010; Palil & Mustapha, 2011; Osebe, 2013; Mogeni, 2014. They found that behavior towards taxpayer compliance can be better through the improvement of tax knowledge.

5.3.2 Tax Complexity and Taxpayer Compliance Behavior

The second research hypothesis developed and tested is on the effect between the tax complexity and the taxpayer compliance behavior. In order to achieve the hypothesis two (H2) which stated that, there is a significant negative relationship between the tax complexity and taxpayer compliance behavior in Libya. The result obtained indicated that, the tax complexity has negative

relationship with the taxpayer compliance behavior with an unstandardized coefficient ($\beta = -.210$, $t = -3.795$, $p < 0.01$), and statistically significant at less than 1% confidence level. Therefore, it supports the hypothesis 2 (H2).

The research findings of this study is similar to that of Saad, Mat Udin, & Derashid (2014), Brainyyah and Rusydi (2013), Saad (2010), Richardson (2006), Mustafa (1996) that provide evidences, on the significant negative relationship between the tax complexity and the tax compliance behavior. Similarly, the current research finding shows that, there is negative and significant relationship between the tax complexity and the taxpayer compliance behavior. This implies that, when the tax law was perceived as more complex, the Libyan taxpayers were not likely to comply with these complicated legations.

5.3.3 Public Governance Quality and Taxpayer Compliance Behavior

The third research hypothesis developed and tested examine the effect between the public governance quality and taxpayer compliance behavior. This hypothesis (H3) states that, there is a positive relationship between the public governance quality and taxpayer compliance behavior in Libya. The research findings also indicate that, there is positive relationship between the public governance quality and taxpayer compliance behavior, with an unstandardized coefficient of ($\beta = .167$, $t = 1.917$, $p < .10$), and statistically significant at less than 10% confidence level. Therefore the hypothesis (H3) is supported.

In addition, the positive relationship between the public governance quality and the taxpayer compliance behavior is supported by previous studies of Alabede & Kamil (2011); Akpo (2009);

Kaufmann et al. (2007); Ross & McGee (2011). This shows that, the positive behavior of the public authority towards the taxpayers will enhance the possibility of the taxpayer compliance behavior and also the taxpayers are will be more willing freely to obey with the legations of tax system. When there is reciprocity between the tax payment and the political dividends and other public services provided by government are equitable in addition to the quality of the public governance which is an essential tool in obtaining a good tax system, this tax system is necessary in achieving the overall governance quality.

5.3.4 Perception of Government Spending and Taxpayer Compliance Behavior

The fourth research hypothesis is developed and tested in order to examine the effect between the perception of government spending and the taxpayer compliance behavior. The present research findings hypothesized that, there is a significant positive relationship between the perception of government spending and the taxpayer compliance behavior. The result obtained support the stated hypothesis with a t-value of 3.745 and statistically significant at less than 1% confidence level. This indicates that, the perception of the individual taxpayers about the perception of government spending can have a significant positive effect on the taxpayer compliance behavior, for instance, when the government is wisely in spending the national revenue obtain from different government sources in the provision of the basic facilities like education, health and public security and public transportation, it is likely to influence the taxpayers voluntary compliance level to increase.

In contrast, when the taxpayers perceive that, the government is spending too much on something considered unnecessary or not beneficial to them, then the taxpayers will feel betrayed by the

government and will attempt to evade the tax payment and this will decrease the level of tax compliance by the taxpayers. Therefore, the finding indicates that, there is a positive and significant relationship between the perception of government spending and the taxpayer compliance behavior. This research findings is supported by prior studies conducted by Engida & Baisa, (2014); Tehulu (2014); Palil et al. (2013); Modugu (2014).

5.4 Implication of the Study

Based on, the research findings indicate that there is a significant contribution to the theoretical as well as practical implications, which is discussed in the following sub-sections.

5.4.1 Theoretical Implications of study

Previous studies conducted in the developed countries in order to assess the impact of tax fairness on tax compliance. For instance, the study conducted in Libya by (Ruhoma, 2015). However, studies focusing on taxpayer compliance behavior in Libya are limited. Thus, this study examines four variables as factors effecting on taxpayer compliance behavior such as tax knowledge, tax complexity, public governance quality and perception of government spending. This study examines the effect of Libyan taxpayers related to their tax compliance behavior.

The findings of this study explained that taxpayer compliance behavior as correlated with other factors such as the tax knowledge, the tax complexity, the public governance quality and the perception of government spending, the results of the research show that, all independent variables have a significant positive relationships with taxpayer compliance behavior, except for one

variable i.e. tax complexity which shows a significant negative relationship with dependent variable (taxpayer compliance behavior). The research findings is also extremely important to the academic researchers, students, literature and as well as the taxpayers. For the purpose of the academic researchers, the findings of this study provides new evidence from the Libya perspectives in regards to the factors that effect on taxpayer compliance behavior particularly the public governance quality and the perception of government spending. Therefore, the current research findings contribute to taxpayer compliance behavior literature in the context of the Libyan economic.

5.4.2 Practical Implications of study

The research findings primarily have practical implication in explaining intensely the relationship between the variables that were examined in this study, it is clear that, the low tax compliance behavior decrease and erode the revenue generated used to support the government activities. Also, it is critical to understand that, the taxpayers are rationally and mentally ready to comply with the tax authority.

The results of the study conducted are beneficial to the government and the tax policy makers based on the taxpayer's perceptions in relation to the current tax administration system and the personal income tax, which includes their tax compliance behaviors, factors of taxpayer compliance behavior and the required strategies to increase tax compliance among the taxpayers. The above research findings are in line with the quest by the Libyan taxation system to make it effective and efficient as possible, but other factors affecting their behaviors tends to change their individual perception toward the tax compliance. Moreover, understanding the factors that

influence on taxpayer compliance is very essential, the study also provides the practical implication to the government in reducing the phenomenon of low tax compliance through the effective tax policy and also improving the voluntary compliance behavior of the individuals' taxpayers.

5.5 Limitation and Recommendation for Future Research

There are several limitations throughout the period of conducting. Firstly, due to time constraint, this study included only the Libyan students in Malaysia, since they are considered part of individual taxpayers in Libya. Future research could be collected the data from all the states in Libya can be explored to replicate the perceptions of tax compliance behavior of Libyan taxpayers as a whole. This is true from the fact that, the findings obtained from this study may not be generalized to the whole of Libya. Secondly, as with other survey data, this study faces limitations from self-reporting data. The respondents may or may not tell the truth regarding their tax compliance behaviors and opinions. This might have led to some issues of non-response bias. Thus, future studies can be conducted by using other methods of data collection such as interviews to seek more information from the taxpayers.

This study examines five variables out of which four are the independent variables and one is the dependent variable. Future research should consider other variables by increasing the number of independent variables to cover more aspect that were not considered in this research. In addition, the future study can include a mediating variable which can be used to examine its moderating effect on the taxpayers' perception toward tax compliance behavior. Based on the research findings it indicate that, all of the variables have significantly positive relationship with the dependent

variable, apart from one independent variable (tax complexity) which was negative and significant with the taxpayer compliance behavior. As such, a subsequent research is necessary in order to investigate the consistency of the results produced on these factors of taxpayer compliance behavior.

Therefore, the study recommends that the tax legislations should be reviewed and simplified besides promoting tax knowledge among taxpayers. In addition, Libyan government should also place attention on public governance quality and government spending in order to increase taxpayer compliance behavior.

5.6 Conclusion

Generally, this research successfully answered the research questions based on the hypothesis developed and tested. The results obtained from the analysis performed using SPSS is adequate to provide the evidence on all the hypotheses testing. The study uses the available empirical evidence to examine five variables, of which four are the independent variables, namely; tax knowledge, tax complexity, public governance quality and perception of government spending as non- economic factors and one dependent variable (taxpayer compliance behavior). Based on, the extensive literature review, four hypotheses were formulated. The population of the study were the Libyan taxpayers and the sample was drawn to represent the population. The data was collected using questionnaire and the raw data gathered were analyzed using the statistical tool of multiple regressions analysis. The results obtained show that, the four independents variables, (the tax knowledge, the tax complexity, the public governance quality and the perception of government

spending) explained only 28.7% changes in the taxpayer compliance behavior while other factors outside the scope of the study explained 71.3% changes in the taxpayer compliance behavior.

Based on the above research findings, discussion and summary, this study concluded that, there is a significant positive relationship between the tax knowledge, the public governance quality, perception of government spending and the taxpayer compliance behavior, except for one variable i.e. tax complexity which shows a significant negative relationship with dependent variable (taxpayer compliance behavior).



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APPENDICES

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Appendix A: Questionnaire



Colleges of Business
University Utara Malaysia

Dear respondent

I am a final year student of Master of Science (International Accounting) at University Utara Malaysia (UUM). I am currently conducting a research project. Which is one of the requirement of my study program. I am undertaking a survey to seek opinions and views on factors affecting taxpayer compliance behavior among individual taxpayers in Libya. I would be very grateful if you could kindly spare a few minutes to answer the questionnaire. All the information gathered will be kept strictly confidential and used solely for academic purpose. Your contribution is highly appreciated.

This questionnaire is divided into four sections. Please answer carefully all the questions.

If you require further information please do not hesitate to contact me.

Thank you for your time and cooperation in answering this questionnaire.

Yours sincerely

ALHASSAN BELKASEM. BELHAJ

Master of Science (International Accounting)

School of Accountancy UUM

(Supervisor)

DR. NORAZA BT MAT UDIN

School of Accountancy UUM

SECTION A

The following questions refer to the demographic profile of the respondents. Please provide the appropriate information by placing a (✓) in the square provided to represent your answer.

1. Gender

- A. Male [] B. Female []

2. Age

- A. 18 – 24 [] B. 25 – 31 [] C. 32 – 38 [] D. 39 – 45 [] E. 46 – 52 []
F. 53 and above []

3- Marital status

- A. Single [] B. Married [] C. Divorced [] D. Widow []

4 - Education level

- A. Before secondary school certificate []
B. Up to secondary school certificate []
C. Diploma []
D. Bachelor degree []
E. Postgraduate (Master/PhD) []

5 - Annual gross income

- A. L.D 10000-15000 [] B. L.D 15001 – 20000 [] C. L.D 20001-25000 []
D. L.D 25001 and above []

6. Years of being a taxpayer

- A. 1 – 5 [] B. 6 – 10 [] C. 11 – 15 [] D. 16 – 20 [] E. 21 and above []
F. Never []

Please tick (√) your answer to each statement using 5 Likert scale (1) = Strongly Disagree; (2) = Disagree; (3) = Neutral; (4) = Agree and (5) = Strongly Agree.

SECTION B: القسم الثاني

Part 1

Taxpayer Compliance Behavior (Dependent Variable)

No	The Statements	The Scale				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I use to trade or exchange goods and services with a friend or neighbor and not report in my tax returns.	1	2	3	4	5
2	I fully declare my principal income, but not including my part-time income.	1	2	3	4	5
3	I do not report my earning from interest or investment that is not registered with government.	1	2	3	4	5
4	I would understate income (employment income, rental income and so on) if the amount is relatively small.	1	2	3	4	5
5	It is wrong if a taxpayer does not report all of his or her income in order to pay less income tax.	1	2	3	4	5

Factors Influencing Taxpayer Compliance (Independent Variables)

Part 2

Tax Knowledge

No	The Statements	The Scale				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I know how to declare actual income received from all sources to the tax authority.	1	2	3	4	5
2	I encounter significant confusion whilst filling tax forms.	1	2	3	4	5
3	I need to consult tax professionals in completing my tax forms.	1	2	3	4	5
4	I know which income should be included or excluded in determining the taxable income.	1	2	3	4	5
5	I do not have problem with completing and filing the tax return form (s), if they are required.	1	2	3	4	5

Part 3

Tax Complexity

No	The Statements	The Scale				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	The sentences and wording in the individual income tax return guide are lengthy and not user-friendly.	1	2	3	4	5
2	The rules related to individual income tax are clear.	1	2	3	4	5
3	I find it hard to comply with the tax laws as they are complicated.	1	2	3	4	5
4	I do not have to make a lot of effort to understand the explanations given in Inland Revenue Department guide books and other similar explanatory material.	1	2	3	4	5
5	Simplification of tax law will assist me on tax compliance.	1	2	3	4	5

Part 4

Public Government Quality

No	The Statements	The Scale				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I think corruption in Libya is high.	1	2	3	4	5
2	I think government wastes a lot of money.	1	2	3	4	5
3	I do not feel like paying taxes as long as the government cannot be trusted.	1	2	3	4	5
4	It is not wrong to declare less on taxable income since the government spends too much on extravagant projects.	1	2	3	4	5
5	I think people are not enlightened on how tax revenues are being utilized by government.	1	2	3	4	5

Part 5

Perceptions of Government Spending

No	The Statements	The Scale				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	A large portion of the money collected is not used efficiently by the government.	1	2	3	4	5
2	A large portion of the money collected is spent on projects that do not benefit me.	1	2	3	4	5
3	A significant portion of the money collected winds up in the pockets of corrupt politicians or their families and friends.	1	2	3	4	5
4	A significant portion of money collected is used for government administration (rather than education, health, etc.).	1	2	3	4	5
5	The government does not provide enough information about how they use taxpayers' money.	1	2	3	4	5

SECTION C القسم الثالث

Recommendation and views towards tax compliance behavior among individual taxpayers in Libya.

.....
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.....
.....
.....

Thank you for your cooperation



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Appendix B: Pilot Test Results

RELIABILITY

Pilot Test-Reliability Statistics for Taxpayer Compliance Behavior

Case Processing Summary

		N	%
Cases	Valid	40	100.0
	Excluded ^a	0	.0
	Total	40	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.707	.699	5

Item Statistics

	Mean	Std. Deviation	N
TCB1	3.73	1.358	40
TCB2	3.78	1.230	40
TCB3	3.88	1.202	40
TCB4	3.95	.959	40
TCB5	4.38	.838	40

Pilot Test-Reliability Statistics for Tax Knowledge

Case Processing Summary

		N	%
Cases	Valid	40	100.0
	Excluded ^a	0	.0
	Total	40	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.600	.590	5

Item Statistics

	Mean	Std. Deviation	N
TK1	3.73	1.358	40
TK2	4.38	.838	40
TK3	3.95	.959	40
TK4	3.78	1.230	40
TK5	3.93	1.071	40

Pilot Test-Reliability Statistics for Tax Complexity

Case Processing Summary

		N	%
Cases	Valid	40	100.0
	Excluded ^a	0	.0
	Total	40	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.835	.839	5

Item Statistics

	Mean	Std. Deviation	N
TC1	4.58	.747	40
TC2	4.48	.877	40
TC3	4.65	.736	40
TC4	4.53	.679	40
TC5	4.43	.675	40

Pilot Test-Reliability Statistics for Public Governance Quality

Case Processing Summary

		N	%
Cases	Valid	40	100.0
	Excluded ^a	0	.0
	Total	40	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.829	.835	5

Item Statistics

	Mean	Std. Deviation	N
PGQ1	4.40	.744	40
PGQ2	4.58	.747	40
PGQ3	4.65	.736	40
PGQ4	4.43	.813	40
PGQ5	4.63	.667	40

Pilot Test-Reliability Statistics for Perception of Government Spending

Case Processing Summary

		N	%
Cases	Valid	40	100.0
	Excluded ^a	0	.0
	Total	40	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.778	.801	5

Item Statistics

	Mean	Std. Deviation	N
PGS1	4.50	.961	40
PGS2	4.48	.877	40
PGS3	4.13	1.067	40
PGS4	4.53	.679	40
PGS5	4.53	.679	40

Appendix C: Regression SPSS Output

Descriptive Statistics

	Mean	Std. Deviation	N
TCB	20.6957	3.17378	230
TK	18.7609	3.45643	230
TC	19.6000	3.65021	230
PGQ	22.5304	2.16693	230
PGS	22.6304	2.27151	230

Correlations

		TCB	TK	TC	PGQ	PGS
Pearson Correlation	TCB	1.000	.460	.018	.140	.158
	TK	.460	1.000	.386	.178	-.090
	TC	.018	.386	1.000	.341	.034
	PGQ	.140	.178	.341	1.000	.049
	PGS	.158	-.090	.034	.049	1.000
Sig. (1-tailed)	TCB	.	.000	.392	.017	.008
	TK	.000	.	.000	.003	.086
	TC	.392	.000	.	.000	.303
	PGQ	.017	.003	.000	.	.230
	PGS	.008	.086	.303	.230	.
N	TCB	230	230	230	230	230
	TK	230	230	230	230	230
	TC	230	230	230	230	230
	PGQ	230	230	230	230	230
	PGS	230	230	230	230	230

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	PGS, TC, PGQ, TK ^b	.	Enter

a. Dependent Variable: TCB

b. All requested variables entered.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.547 ^a	.299	.287	2.68066	.299	24.000	4	225	.000	2.303

a. Predictors: (Constant), PGS, TC, PGQ, TK

b. Dependent Variable: TCB



ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	689.858	4	172.465	24.000	.000 ^b
	Residual	1616.837	225	7.186		
	Total	2306.696	229			

a. Dependent Variable: TCB

b. Predictors: (Constant), PGS, TC, PGQ, TK

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics		
	B	Std. Error				Beta	Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	4.867	2.627		1.852	.065	-.311	10.044						
TK	.507	.056	.552	9.051	.000	.397	.617	.460	.517	.505	.837	1.194	
TC	-.210	.055	-.241	-3.795	.000	-.318	-.101	.018	-.245	-.212	.772	1.296	
PGQ	.167	.087	.114	1.917	.056	-.005	.339	.140	.127	.107	.879	1.137	
PGS	.294	.079	.211	3.745	.000	.139	.449	.158	.242	.209	.984	1.016	

a. Dependent Variable: TCB



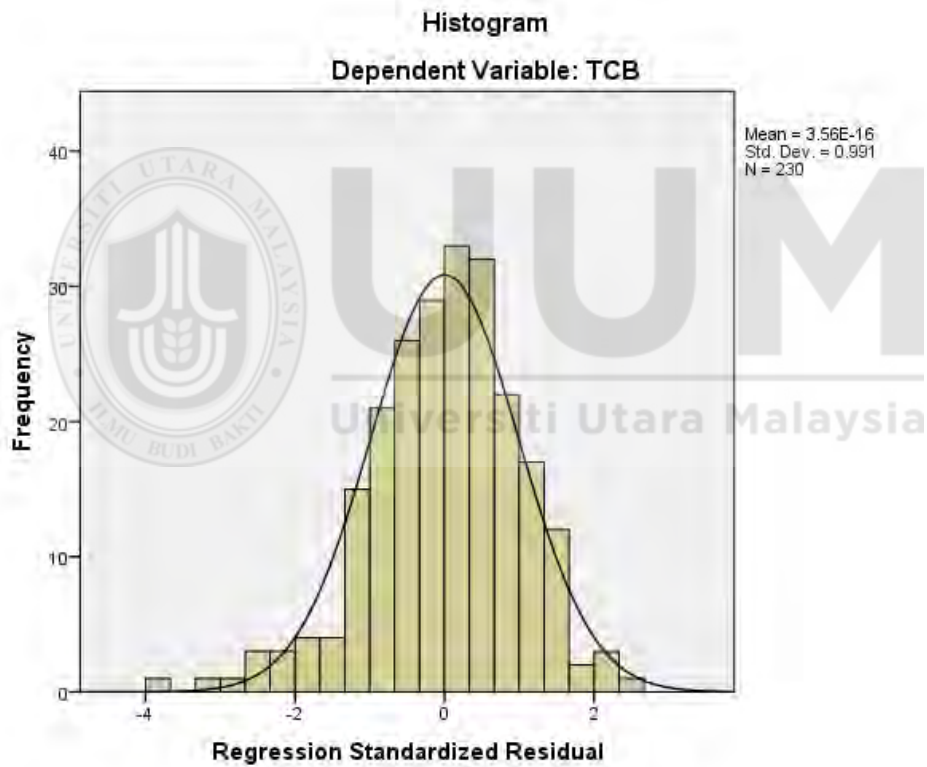
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
TCB	230	9.00	25.00	20.6957	3.17378
TK	230	8.00	25.00	18.7609	3.45643
TC	230	8.00	25.00	19.6000	3.65021
PGQ	230	8.00	25.00	22.5304	2.16693
PGS	230	8.00	25.00	22.6304	2.27151
Valid N (listwise)	230				

Residuals Statistic

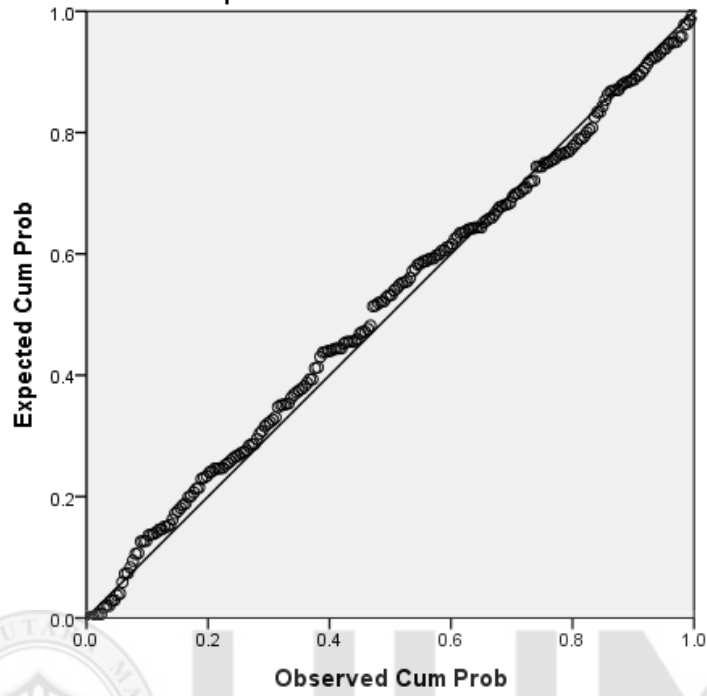
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	14.5460	24.7122	20.6957	1.73565	230
Residual	-11.62610	6.53170	.00000	2.65715	230
Std. Predicted Value	-3.543	2.314	.000	1.000	230
Std. Residual	-4.337	2.437	.000	.991	230

a. Dependent Variable: TCB



Normal P-P Plot of Regression Standardized Residual

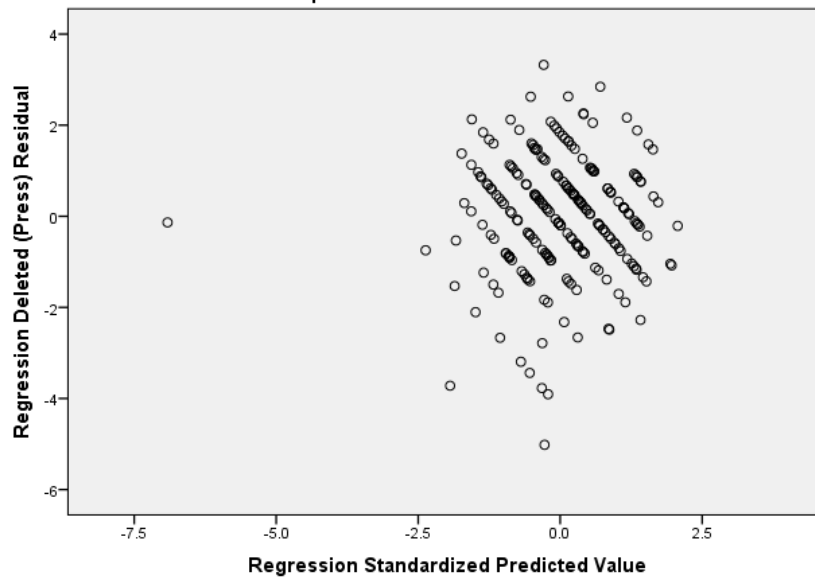
Dependent Variable: TCB



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Scatterplot

Dependent Variable: TCB



Appendix D: Correlations

Correlations

		TCB	TK	TC	PGQ	PGS
TCB	Pearson Correlation	1	.460**	.018	.140*	.158*
	Sig. (2-tailed)		.000	.785	.033	.016
	N	230	230	230	230	230
TK	Pearson Correlation	.460**	1	.386**	.178**	-.090
	Sig. (2-tailed)	.000		.000	.007	.172
	N	230	230	230	230	230
TC	Pearson Correlation	.018	.386**	1	.341**	.034
	Sig. (2-tailed)	.785	.000		.000	.606
	N	230	230	230	230	230
PGQ	Pearson Correlation	.140*	.178**	.341**	1	.049
	Sig. (2-tailed)	.033	.007	.000		.461
	N	230	230	230	230	230
PGS	Pearson Correlation	.158*	-.090	.034	.049	1
	Sig. (2-tailed)	.016	.172	.606	.461	
	N	230	230	230	230	230

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Appendix E: Reliability Test

1. Scale: Taxpayer Compliance Behavior

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.645	.609	5

Item Statistics

	Mean	Std. Deviation	N
TCB	4.11	1.175	230
TCB	3.81	1.155	230
TCB	4.17	1.023	230
TCB	4.11	.889	230
TCB	4.50	.567	230

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
TCB	16.59	5.099	.677	.543	.420
TCB	16.89	7.157	.256	.126	.674
TCB	16.53	6.460	.493	.322	.543
TCB	16.58	6.663	.570	.461	.516
TCB	16.20	9.713	.011	.003	.708

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
20.70	10.073	3.174	5

2. Scale: Tax Knowledge

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.639	.635	5

Item Statistics

	Mean	Std. Deviation	N
TK	3.64	1.241	230
TK	3.86	.985	230
TK	3.95	.905	230
TK	3.77	1.008	230
TK	3.54	1.224	230

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
TK	15.12	6.541	.609	.496	.456
TK	14.90	9.519	.240	.140	.651
TK	14.81	9.602	.272	.116	.635
TK	14.99	7.607	.598	.508	.487
TK	15.22	8.415	.286	.187	.645

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
18.76	11.947	3.456	5



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3. Scale: Tax Complexity

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.648	.592	5

Item Statistics

	Mean	Std. Deviation	N
TC	4.63	.631	230
TC	3.03	1.577	230
TC	4.00	1.145	230
TC	3.50	1.337	230
TC	4.44	.656	230

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
TC	14.97	12.566	.080	.088	.695
TC	16.57	6.307	.572	.469	.503
TC	15.60	8.128	.596	.363	.496
TC	16.10	6.990	.643	.491	.451
TC	15.16	12.398	.107	.061	.690

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
19.60	13.324	3.650	5

4. Scale: Public Governance Quality

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.684	.693	5

Item Statistics

	Mean	Std. Deviation	N
PGQ	4.52	.611	230
PGQ	4.56	.643	230
PGQ	4.53	.658	230
PGQ	4.41	.741	230
PGQ	4.52	.596	230

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
PGQ	18.01	3.402	.409	.203	.647
PGQ	17.97	3.082	.531	.304	.593
PGQ	18.00	3.083	.510	.281	.602
PGQ	18.12	3.365	.288	.088	.709
PGQ	18.01	3.279	.491	.275	.614

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
22.53	4.696	2.167	5

5. Scale: Perception of Government Spending

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.709	.723	5

Item Statistics

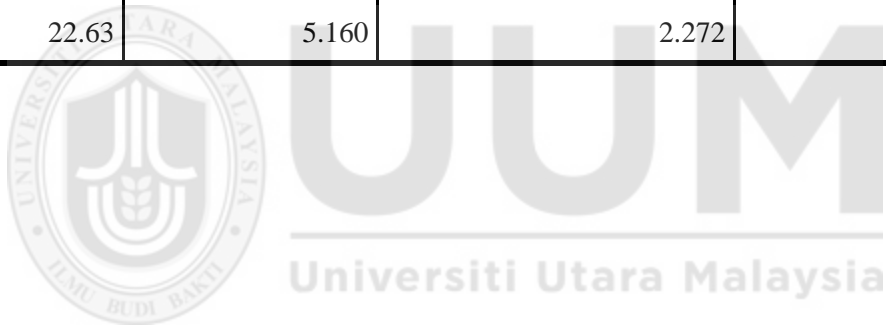
	Mean	Std. Deviation	N
PGS	4.64	.677	230
PGS	4.59	.646	230
PGS	4.35	.836	230
PGS	4.55	.579	230
PGS	4.50	.567	230

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
PGS	17.99	3.528	.461	.227	.663
PGS	18.04	3.444	.542	.313	.631
PGS	18.28	3.252	.401	.172	.705
PGS	18.08	3.732	.488	.270	.656
PGS	18.13	3.756	.493	.259	.655

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
22.63	5.160	2.272	5



Appendix F: Table of Sample Size

Sekaran, (2013)

N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	26	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	53	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384
Note: N= population size and S= sample size					

Appendix G: Letter from the Embassy of Libya

Embassy of Libya
Kuala Lumpur
Malaysia



سفارة ليبيا
كوالالمبور
ماليزيا

Our Ref:1401/1826

26th November,2015

To/Whom It may Concern,

The Embassy of Libya in Kuala Lumpur hereby writes to make reference to the total number of Libyan students studying in Malaysia.

Please, be informed that the total number of Libyan students holding a scholarship from the Libyan Ministry of Higher education and Scientific Research who are currently studying in Malaysia are 1213 (991 Males and 512 Females).Whereas, we have a total of 625 non-scholarship students who are awaiting for final approval of their scholarship from the Ministry of higher education and scientific research .



Universiti Utara Malaysia

Thank you.

Yours faithfully,



Dr. Samir Karshman
Academic Attaché
Libyan Embassy



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