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Title of Thesis: Assessing the factors contributing to public trust in police
through the perception of the younger generation of Cambodia

Governance Program,
The Graduate School of Governance Studies

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Research Title: Assessing the factors contributing to public trust in police
through the perception of the younger generation of Cambodia

Graduate School of Governance Studies

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Abstract

Objective: The study aimed to assess the level and the main factors shaping trust in the Cambodian police institutions from youths' perspective, especially undergraduate students. The study attempts to answer two questions. *First, to what extent do college students trust the police? Second, what are the main factors that contribute to their trust in the police?*

Methods: The study employed the procedural justice modal, which involves citizens' judgment of police processes in making decisions and exercising their authority. Procedurally just policing was significant in shaping police trust and legitimacy. Quantitative data from 549 undergraduate students were used in the analyses.

Findings: The study revealed a majority of college students viewed the police as trustworthy. The students' judgment of the way the police exercise their power and make decisions were the main factors contributing to their trust in the police. College seniority was the only significant demographic variable correlating to trust in the police.

Limitation / future implications: Because of the character of the survey distribution and nature of the sample, the findings cannot be applied to all youth population; moreover, the nature of personal contact with police were not specific.

Originality and significance: The study was the first attempt to disclose the perception of the Cambodian younger generation toward the police. Youths experienced different

Cambodia and have different expectations from the government and police. The study contributes to academics and policymakers' knowledge in devising policies to gain cooperation and compliance from Cambodian youths.

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CHAPTER ONE INTRODUCTION

Summary

This first chapter was divided as follows. Firstly it delineates the background of the study. Second, it provides definitions and concepts of critical terms for this research study. Next, the chapter highlights the main problems caused by the lack of trust and briefly specifies the research questions, hypothesis, and research methodology. Inadequate trust in the police afflicted the country with underlying issues. The study aims to identify the level of trust and the factors contributing to public trust in the police from the Cambodian youth population, especially college students. This study will tremendously contribute to academics and policymakers in formulating policy to gain cooperation and compliance from this younger generation.

1.1. Background

The lack of trust from the younger generation in Cambodia is still considered a significant problem. Firstly, inadequate trust does not arise in merely police institutions. In general, Cambodian youths held the lowest social trust (6.8%) compared to those of the neighboring countries such as Malaysia (7.5%) and Indonesia (23.9%)¹. According to Pew Research Center, "***Social trust is a belief in the honesty, integrity, and reliability of others – a faith in people.***" In addition, trust in the government's institutions was low based on the Asia Foundation Report 2014; the courts, the election commission, and police were rated the most lacking². This lack of faith in the state institutions can also indicate the lack of trust in the

¹ UNDP, "Youth and Democratic Citizenship in East and South-East Asia – Exploring political attitudes of East and South-East Asian Youth through the Asian Barometer Survey", 2014

² Asia Foundation, 'Democracy in Cambodia – A survey of the Cambodian Electorate', 2014

government itself (Kääriäinen, 2018). In addition, compared to 50 percent of Vietnamese respondents, for instance, Cambodian youths expressed less trust in their police force; only 28 percent of Cambodian respondents agreed that police are quite trustworthy (UNDP, 2014). Without the effort to increase institutional confidence, this is likely to hamper sustainable development. This low degree of trust in police can be traced back to Cambodian history.

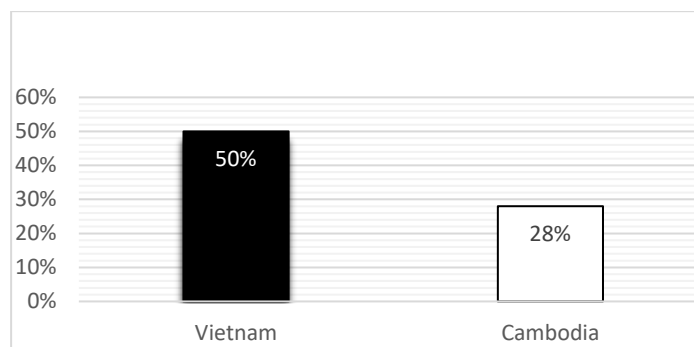


Figure 1. Trust in police

Source: UNDP (2014)

Police legitimacy is shaped by historical experience with police mistreatment, which can have a long-lasting effect on citizens' trust in police, especially when mistreatment is still considered in existence (Johnson et al., 2014). Historically, the relationship between the police and the public in Cambodia was established on an unstable foundation. Cambodia's first official police force was born during the French colonization, whose main objectives of developing an effective colonial police force were to maintain public order and secure the revenues from tax collection (Broadhurst et al., 2015). Based on Broadhurst et al, (2015), even after gaining independence in 1953 until the beginning of the civil war, the public considered the police force as a tool of the regime to suppress both political dissidents and its citizens along with a high level of corruption. The worst case is the decade-long civil war, which was officially ended in 1991 but continued with less hostile fighting till 1997, resulting in a country with a crumpled economy and traumatized population (Dobbins et al., 2013). This resulted in a low level of trust in the police since this segment of the Cambodian population experienced

abuse and corruption from a police force recruited after the civil war without proper education and training, most of whom had been former military.

However, there was an ongoing effort from the Royal Government of Cambodia and its various partners, for example, the Australian project (CCJAP) or Japanese projects (JSAC), to promote police legitimacy. The government has always attempted to gain more legitimacy from the public, especially in remote areas (Scheye & Okserei, 2016), by molding the police force to be more professional and ethical³. Despite the government's effort, the scale of the problem is multiplied by the emergence of the younger population.

These key terms, **trust, procedural justice, and police legitimacy**, appear in every chapter. It is crucial that these key terms be explained in the context of this current study.

1.2. Trust, Procedural Justice, and Police Legitimacy

Trust and collaboration from the public are like life support to police work (Wu et al., 2012). Trust in police centers on the perception that the police are reliable and predictable. Trust can involve police performances; however, not every citizen could evaluate police effectiveness and efficiency. Jackson and Bradford (2010) claimed,

“Trust extends beyond narrow public assessments that police perform their duties effectively and efficiently to include a sense that the police understand the needs of the community, that they treat people fairly and with dignity, that they give them information, and that they allow members of the community a voice to highlight local problems.”

Overall, public trust is built and sustained when citizens feel involved with the police in solving the community issues, for the officers are viewed as fair, respectful

³ Post Staff, 'Cambodia's attempt at police reform lauded', The Star Malaysia, 17 February 2021

toward citizens, and caring about their community. Citizens have overall confidence in the police because police behave consistently, implement the law impartially, and act with trustworthy motives. Trust and confidence in police generate cooperation; the higher the trust and confidence the police receive from the public, the more willingly cooperation police are likely to gain (Tyler, 2005). These foundations of trust are the concept of procedurally fair policing. Sunshine and Tyler (2003) suggested,

“Procedural justice perspective argues that the legitimacy of the police link to public judgments about the fairness of the processes through which the police make decisions and exercise authority.”

Procedure justice involves four main criteria, which contemplate **on police being neutral, police showing respect to citizens, police allowing citizens to voice their opinion, and police being able to show their trustworthy motives**. Procedurally just policing is likely to generate police legitimacy and public satisfaction with the police services (Hinds & Murphy, 2007). Public judgment regarding procedurally fair treatment during police-citizen contact characterizes the public perception of police legitimacy (Sunshine & Tyler, 2003). Toward youths, it is crucial that police verbally communicate in effective and respectful manners since those officers who speak respectfully and effectively can operate their daily work with ease and, in turn, help build legitimacy (Arter, 2006). According to Tyler and Huo (2002);

“Legitimacy is the belief that legal authority are entitled to be obeyed and that the individual ought to defer to their judgments. Legitimacy is a value in the sense that it is a feeling of obligation or responsibility that leads to self-regulation behavior – that is, voluntarily bringing ones' behavior into line with the directives of those authorities one feels ought to be obeyed”.

In this sense, the reduction of the public perception toward police legitimacy in a way hinders law enforcement officers' ability to carry out their prominent role of providing public safety and security (Mullinix & Norris, 2019). It would be almost

impossible for law enforcement officers to implement their daily job without being viewed as legitimate. When viewed as legitimate, law enforcement officers could obtain support from their citizens in the first place to fight and prevent crime. The partnership may range from ordinary assistance such as reporting a crime – informing police about any suspicious activities in the community – to the quintessential act of volunteering to be a witness. In addition, cooperation can be in the form of being involved in community crime-prevention programs. With such achievement of police legitimacy, a country can guarantee sustainable development. In moving toward democracy or just the early stage of democracy, police play a vital role in developing the nation; police could be the agent who assists the transition from a developing country to a more developed one (Lambert et al., 2010).

In contrast, a country that suffers low trust and police legitimacy would slowly achieve development; nevertheless, it could also negatively stall the country's growth. Insufficient trust in police resulted in little legitimacy (Goldsmith, 2005). For instance, in a comparison between developing countries like Bangladesh and Nigeria with more developed countries like the U.S and Canada, the latter receive better public trust in their police institutions (Lambert et al., 2010).

In addition, if legal officials are seen as legitimate, the public tends to cooperate with the police willingly. There is a strong link between procedural justice, police legitimacy, and law-abiding behaviors (Trinkner et al., 2019). The citizens foster the intrinsic value to avoid breaking the law since police cannot sanction all law-breaking behaviors all the time and in all the places; to control crime, police require citizens' voluntary support and cooperation (Tyler & Huo, 2002). Perceived police appropriate behaviors could positively link to police legitimacy and ultimately lead to the legitimacy of the law on the whole (Trinkner et al., 2018). In conclusion, trust in police, procedural justice, and police legitimacy are related. As the police are regarded as legitimate through procedural just policing, they inspire public

cooperation and compliance with the laws. This phenomenon could translate to lower crime rates, citizen-police partnerships, and more law-abiding citizens.

1.3. Problem

Based on the police legitimacy concept, the lack of trust could produce underlying issues for society, implicitly crime problems. After the civil wars ended, Cambodia witnessed a steady decrease in the number of crimes throughout the

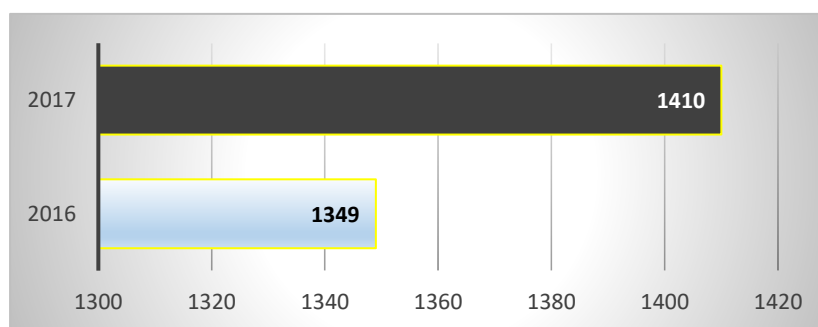


Figure 2. The crime rate in Cambodia in the first half of 2017

Source: Phnom Penh Post reporting the biannual meeting of the Ministry of Interior (2017)

country; however, there was a noticeable increase in crime in the first half of 2017. According to the Phnom Penh Post⁴ report from the Cambodian Ministry of Interior 2017's annual meeting, crime rates in the nation did unmistakably soared from 1349 cases in 2016 to 1410 cases in 2017. This statistic could have underrepresented the actual number of crimes, which could have underreported, such as fraud, domestic violence, and rape. Even still regarded as trivial by some, the situation would likely pose a considerable obstacle in fighting and preventing crime without proper investigation of the underlying cause. Besides the increase in crimes, the recurring traffic violation problems leading to a significant road fatality persists. This issue could be an example of a low level of law-abiding behaviors.

⁴ Chhay Channyda, 'Crime up slightly since start of 2017', The Phnom Penh Post (Phnom Penh) 25 July 2017

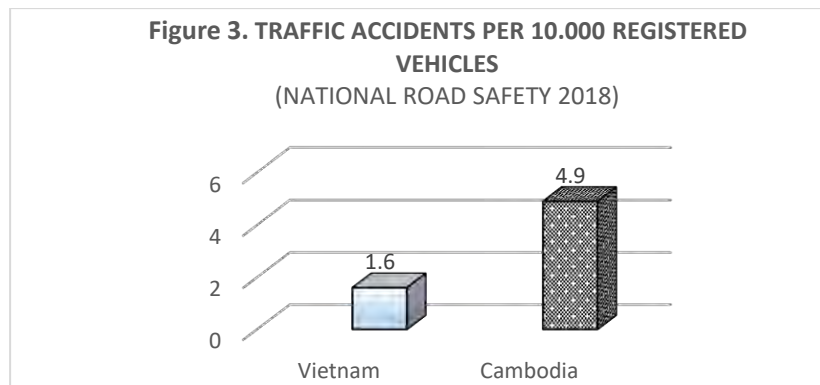


Figure 3. Traffic accidents per 10.000 registered vehicles

Source: National Road Safety (2018)

Traffic accidents have been regarded as the leading cause of death in the country. Cambodia experienced more traffic accidents than did Vietnam⁵. Most of the traffic accidents were among motorcycle driving, which is the most accessible mean of transportation in the country; it was reportedly due to driving in excess of the speed limit (46%), driving under the influence, especially alcohol (one fifth), and driving without wearing a helmet (Roehler et al., 2015), all of which are illegal by Cambodian law. In response to this tragedy, new stricter traffic laws, the Sub degree No. 39, which imposes heavier fine on traffic violations⁶, was enforced nationwide. The new traffic law implementation was not well received in the country. There were reports of confrontations between the public and traffic police. For instance, there was an altercation in Svay Rieng province where a few drivers were detained since they could not pay the new traffic fines⁷. People posted those incidents of police-citizen confrontations onto social media, especially Facebook and YouTube. In response to this, a few officers were being disciplined, and there was a suspension of the strict implementation⁸. The problem was possibly derived from

⁵ National Road Safety Committee, 'Annual Report of Road Crashes and Casualties', 2018

⁶ Sub-Decree No. 39 the amendment of sub-Decree No. 44 passed 21 March 2017 on fine of Road Traffic Violation, 17 March 2020

⁷ Hul Reaksmey, 'New Road Fines Causes Heated Spats on Cambodia's Streets', VOA Khmer, 05 May 2020

⁸ Soth Koemsoeun, 'Traffic police told to halt law enforcement', The Phnom Penh Post, 02 December 2020

the belief that traffic police would profit from the fine⁹ and will solicit bribes from this opportunity (Johnson, 2014). Presumably, the lack of trust in police played a vital role in spawning such a phenomenon by discouraging the public from being law-abiding citizens. Additionally, the chances are that the police are in a desperate circumstance where a strong relationship is needed to increase public cooperation.

Because the relationship between the police and the public was one-sided, which lacks the public's desire to challenge the police's authority (Scheye & Okserei, 2016), the crowd remained passive and uninvolved, resulting in low public cooperation. According to Angkor Research 2014, the crime situation has improved in all communes since 2011. However, insufficient public trust in the police could reverse the trend because citizens find it less encouraging to report a crime to the police. For instance, less than 20% of victims of all crimes reported to police in Cambodia (Lamberet et al., 2014). Khmer people developed a culture of mistrust, leading to a low crime report to the police (Broadhurst & Bouhours, 2009) because without additional payment – locally known as patrol money - the police would not proceed to respond to their request (Lamberet et al., 2014). Accordingly, this habit could hinder the public from depending on the police, resulting in a lack of public trust. These issues of crime increase, poor cooperation with legal authority, and low law compliance could be attributed to the lack of trust in police institutions based on procedural justice theory. Not only do the police have to build trust among the older population, but they also adapt policy and practices to the growth of younger and more educated Cambodians.

The growth of the younger population had magnified the scale of the problems. Like typical Cambodian youths, college students had not first-hand experienced the civil wars and the corrupt and abusive police practices during the civil wars and post-war period. Similarly, their expectations from the government

⁹ Charlie Campbell, 'This country Just Made It Legal for Cops to Keep 70% of All the Traffic Fines They Collect', Time, 29 July 2015

and police were shaped differently from those of their parent's generation. What their parent's generation regarded as the main factors contributing to trust in authority were not explicitly associated with those of this younger generation. In addition, they were considered more critical and rebellious to the government, as seen throughout Cambodian history, where they involved and led protests against the government, for instance, in the late 1960s. As a result, college students and scholars, known as intellectuals, were targeted as the enemy of the state during Khmer Rouge Regime (Tully, 2005). Recent protests led by students were also witnessed in other places such as Thailand¹⁰ and Hongkong¹¹. Essentially, this posed a challenge for policymakers to adopt good instruments to gain cooperation and compliance from this population segment because they are actively involved in developing the nation as future workers and leaders. There is little knowledge about the factors that shape their trust in police institutions. Assessing their perception will foster a better relationship between the public and the law enforcement institution resulting in a safer community that could guarantee sustainable development.

The author firmly believes that a more empirical understanding of the factors that engender public trust in police institutions through youths, especially college students, is needed to broaden the knowledge of the police trust in Cambodia.

1.4. Research Objectives

The purpose of this study is to assess the level of trust youths have in the police organization and the main factors that characterize public trust in the police

¹⁰ Apornrath Phoonpongphiphat & Masayuki Yuda, 'Thailand protests collapse as leaders languish in jail', NikkeiAsia, March 18, 2021

¹¹ Carmin Chappell, 'Many of the leaders of Hong Kong's protests are millennials—here's why they're taking action', CNBC, Aug 12 2019

institution from the perspective of Cambodian youths, primarily undergraduate students.

One leading hypothesis is conceivable. The author hypothesizes that the four core elements of procedural justice theory -- **police showing neutrality, police showing respect to citizens, police showing trustworthy motives, and police granting citizens voices** -- are positively associated with trust in the police.

To test this hypothesis, the author conducted desk research based on existing pieces of literature sources in order to have a solid foundation of trust in police in Cambodia and employed procedural justice modal through an online survey with college students in Phnom Penh and Battambang Province to assess the level of trust and to cross-check the elements of procedural justice theory with their trust in the police.

1.5. Specific Objectives

- (1) To examine the relationship between the youths' perception of police neutrality and trust in the police.
- (2) To investigate the relationship between the youths' perception of being respected by police and trust in the police.
- (3) To inspect the relationship between the youths' perception of police trustworthy motives and trust in the police.
- (4) To scrutinize the relationship between the youths' perception of being able to voice their opinion and trust in the police.
- (5) To explore the association between demographic factors (gender, college level, victimization, etc.) and trust in the police.

1.6. Research Question

The study aims to gain insight into undergraduate students' trust toward police by looking at the quality treatment and quality of decision-making of legal

authority. The main questions of the study center on the degree of trust from college students and the contributing factors. These are the main research questions:

1. To what extent do college students trust the police institution?
2. What are the main factors that contribute to their trust in the police?

1.7. Methodology

The author employed a theoretical modal – procedural justice theory – developed from western philosophy and tested by outstanding scholars around the globe. The modal was significant in shaping compliance with authority from the average population ranging from ordinary citizens in normal settings to specific people such as drug addicts and convicts at their place of confinement. The theory centers on the neutrality, respect, public voice, and trustworthy motives of the authority. Because of its focus on an individual's judgment of the quality of treatment and decision-making, the modal was considered most suitable for the present study. The study utilized the quantitative method by using a convenient sampling technique. To reach a satisfied quantity of respondents, the author used Google questionnaires to survey undergraduate students from public universities in Phnom Penh and Battambang Province with the assistance of the universities' research department and academic affairs department. 549 students participated in the survey. Moreover, this study used SPSS version 26 to employ a factor analysis and logistic regression to examine the relationship between the predictive factors and trust in police.

1.8. Organizational Structure

This study is divided into five chapters. Chapter 1 provides the background of the research and discusses the concept of trust, procedural justice, and police legitimacy and the issues related to public trust in police. The chapter also states

the objectives, research questions, and research hypotheses. Chapter 2 highlights findings that had been studied and what had not been known about trust and police legitimacy in the Cambodian context. Chapter 3 outlines the theoretical modal - the population and the research methods. Chapter 4 involves more presentation of the research results, descriptive, inferential findings, and the discussion of the research results. Chapter 5, the final chapter, wraps up the research, concludes the findings, underlines the limitations of the study, suggests further research recommendations, and offers policy implications.

Most were research about the general trust in the government and its institutions. There had been limited research studies about police trust and police legitimacy in Cambodia. Procedurally fair policing may not be applicable in the Cambodian context in shaping police legitimacy. Why is it difficult to determine the characteristics of trust and police legitimacy in Cambodia? The next chapter reveals what was known about police trust and legitimacy and what needs to be studied.

CHAPTER TWO LITERATURE REVIEW

Summary

The chapter provides an outline of the findings generated through research studies about trust and police legitimacy in Cambodia and what needs to be answered in this present study. The existing literature about police legitimacy in Cambodia was limited. These pieces of literature did not specify the extent of trust youths, especially college students, have in the Cambodian police. In addition, they were not able to pinpoint the factors that influence their trust in the police.

2.1. Trust and Police Legitimacy in Cambodia

2.1.1. Lessons learned

The research study about trust and police legitimacy in Cambodia was minimal. There existed some noticeable surveys about public perception toward the government in general; however, exclusive police trust research was scarce. Some of the work conducted by **UNDP, Asia Foundation, ADB** can be summarized as follows. Firstly, Cambodia experienced the lowest **social trust** among youths at 6.8 percent, while China was 49.3 percent (UNDP, 2014). There was an issue regarding trust among ordinary people; the Cambodian youth population found it hard to trust their neighbors. Cambodian people trust their national institutes less than those in Thailand and Laos, especially the judicial institutions (OECD/ADB, 2019). As a result, this can translate to less trust in the government as a whole. According to the Asia Foundation (2014) survey of Cambodian electorates, it exposed similar findings. State institutions received a superficial level of trust—**50** percent of the respondents in the study expressed dissatisfaction with the government's performance; furthermore, among the least trusted institutions were the courts, the election commission, and the police organizations. UNDP (2014) stated that a

considerable percentage of Cambodian respondents, youths, expressed less trust toward their police; only **28** percent agreed that the officers were quite trustworthy, while **50** percent of their Vietnamese counterparts did. However, this study surveys the general youth population.

Besides these surveys, Broadhurst & Bouhours (2009) revealed some public perceptions of the police. Firstly, the police could not achieve great public trust even though the citizens witness a decrease in victimization, police corruption, and fear of crime. Cambodians were more satisfied with their police services in 2001 and 2002 than in 2006 and 2007. Cambodians regarded the extra costs or bribes – patrol money – demanded by police before taking action as the problem to reporting crimes to the police. That the citizens changed their attitudes towards crime and had higher expectations from the government dealing with social issues increased expectation from police and decreased public trust in the authority accordingly.

According to the existing literature above, Cambodia had trust issues in general. These trust issues were transmitted to the government institutions, including the police organization. As the country was on the transition path, the public developed different criteria to judge their police. However, these studies surveyed the older generation and general Cambodian youth population, not college students. Even the percentage of Cambodian youths involving in higher education was small – 8.2 percent of the youth population (UNDP, 2014), the number has been growing. Because of their socioeconomic and educational background, college students may have different trust toward the police since their parents were mostly government employees, followed by business people, farmers, and laborers (Williams et al., 2016). This group of students will be actively involved in the country's development. However, the literature neither explicitly expressed the magnitude of trust toward police by the younger and more educated people – college students – nor focused on their trust factors.

2.2.2. Challenges

There had not been studies conducted to determine factors contributing to police trust and legitimacy in Cambodia. There had been a plethora of studies related to the influence of procedural justice on police legitimacy in the west. First of all, the research study conducted by Tyler and Huo, (2002) in the U.S did demonstrate that procedural justice was the main predictor of police legitimacy. So did other studies in Australia (Murphy, 2017) and the United Kingdom (Hough, 2012). All of these studies substantiated the positive association between procedurally fair policing to police legitimacy.

In particular, these studies received criticism because they had been conducted in countries with multiple ethnicities, which creates the environment of the majority and the ethnic minority groups. People concern more on the fair treatment of a particular ethnic group received compared to other ethnic groups. Members of the majority group are likely to view their member's action through such a positive interpretation that when its member committed a crime, the majority group tends to find the evidence less sufficient and to be skeptical of the accusation. As a result, they sometimes let the offenders go unpunished; nevertheless, the opposite is true to the minority group (Hughes, 2017).

In contrast to the above studies, the study in countries with a homogenous population revealed different findings. In the Japanese context, the perception of procedural fair policing may not be essential in forming the judgment about police legitimacy, but the concept is more applicable in nations with diverse and divided demography of populations (Sato, 2018). A similar phenomenon was discovered in the study in South Korea (Woo et al., 2018). These two studies revealed that procedurally fair manner from the legal authority was not the significant element of legitimacy in countries with a homogeneous population, of which 90 percent of its people share the same ethnicity, language, and religions.

While there is a solid body of work on procedural justice policing in democratic and developed countries, such research is limited in developing countries. Some scholars disagree that procedural justice is the core predictor of police legitimacy but distributive justice, which focuses more on police's crime-fighting effectiveness and performance. The studies in Africa, Ghana (Tankebe, 2009), and Nigeria (Akinlabi, 2018) reported the insignificance of procedural justice. When people were overwhelmed with such problems, they considered fair treatment and respect less important than their safety in countries plagued with police misconduct, corruption, and high crime levels.

There had been mixed results in the developing countries in similar characteristics of corruption and crime context. Given the literature reviewed above, we might expect that instrumental concerns may overshadow procedural justice concerns in places with a poorly functioning and highly corrupt police force like Indonesia and South Africa. The study in South Africa (Prinsloo, 2019) contradicted the findings in Ghana and Nigeria. Similarly, Indonesia's long-term and in-depth qualitative study found Indonesians, like South African people, were more concerned about their fair treatment from the police than their judgment about police effectiveness to predict police legitimacy (Davies et al., 2014).

Finally, the discussion of public trust and confidence in police institutions often assumed that the key to public trust and legitimacy could be found only in democratic countries; surprisingly, the effect of procedural justice was found in the authoritative country. The study in China confirmed the significant influence of citizens' concern about the quality of treatment and decision-making from its legal authority (Sun et al., 2016). Procedural justice does not guarantee universal applicability in different social and political contexts (Sato, 2018). This poses challenges to determine the characteristic of police trust and legitimacy through the perceptions of the Cambodian younger generation.

Given that prior research had paid limited attention to developing countries and had dominantly focused on Western countries, and given the mixed result from non-western countries, it is worthwhile further to examine the generalizability of procedural justice theory in Cambodia. Cambodia seems to have its unique characteristics. **Firstly**, Cambodia is a country where 96 percent of its population are homogenous; they speak the same language – Khmer – and practice the same religion – Buddhism; Theravada, the religion of 90 percent of the population (Dobbins et al., 2013).

Furthermore, the government pursued policies that help gain more legitimacy in both the state and its national institutions, especially the police force (Scheye & Okserei, 2016). The police organization had been under a series of transformations in professionalization and innovation to achieve more legitimacy. After the peace had been secured throughout the country, one of the strategies of the Royal Government of Cambodia was to promote a safer community with assistance from the Australian government through small-scale pilot projects on crime prevention and community safety (Cox & Okserei, 2012). These projects, which started in just three, were expanded to twenty-two provinces (Scheye & Okserei, 2016). To maximize the impact of community policing, the government and its partner invested more in establishing national police facilities and renovating local police posts throughout the nation. It resulted in a better perception from the public regarding police responsiveness and police visibility in their community – more patrol. Besides the government’s effort to build more and renovate the existing establishment, the National Police Agency paid more attention to police training; police, especially senior officials, started to form a different concept of police and policing (Scheye & Okserei, 2016). The national police institute offered various training within its national police academy and its international partners. Besides the capacity-building training within the police in service, new police recruits have been more qualified than the police force recruited after the civil wars. Selection criteria for new police recruits were much

higher in terms of education level at the time of application¹². For instance, the number of recruits who hold a bachelor's degree accounts for 52% of the total new police officers in 2020¹³ in Battambang Province. The number tends to be higher for applicants at the national level. In short, police have been on the path to be more ethical and professional.

Furthermore, Cambodia is on the transition path to improvement in its socioeconomic, corruption, and crime levels. Cambodia maintained annual economic growth of around 7%¹⁴; accordingly, the population living in poverty fell from 47.8% in 2007 to 13.5% in 2014. The decrease could translate to a better living standard compared to that of the past 20 years. In addition, even though the court and police institutions still score the least in terms of the perception of corruption, in general, the underlying trend has been affirmative. In terms of the corruption level perceived by the public, its magnitude had decreased. According to a report from **Transparency International 2017**, the researcher surveyed 1000 samples. 35% viewed corruption as on the rise¹⁵; however, according to the same research organization – **International Transparency – in 2020** with the same number of sample, only 12% felt that the **corruption** level has been on the rise in the last 12 months. This perception was regionally even lower than that of Thailand (**55%**), Indonesia (**49%**), and Malaysia (**39%**)¹⁶. Last but not least, the crime level, in general, had been on a moderately falling trend. Residents witnessed a decreased level of crime across communes throughout the country (Lamberet et al., 2014 and

¹² Prakas No. 3800, 'The Selection Process of New Police Recruits under the Ministry of Interior', Ministry of Interior, 03 May 2016.

¹³ Prakas No. 2274, 'The Official Inauguration of Police New Recruits for Battambang Province', Ministry of Interior, 22 April 2020.

¹⁴ Asian Development Bank, 'Asian Development Bank Member Fact Sheet- Cambodia', www.adb.org/Cambodia, 2020.

¹⁵ Coralie Pring, 'PEOPLE AND CORRUPTION: ASIA PACIFIC-Global Corruption Barometer', Transparency International, 2017

¹⁶ Jon Vrushi, 'GLOBAL CORRUPTION BAROMETER ASIA 2020-CITIZENS' VIEWS AND EXPERIENCE OF CORRUPTION', Transparency International, 2020

Broadhurst et al., 2015). This posed challenges whether procedural justice will be a significant element of police trust and legitimacy in the Cambodian context.

In conclusion, Cambodia suffered from trust problems from social trust to trust in state institutions, especially the police organizations. The public expectations from the government and police institutions were different. It is hard to predict the significance of procedural justice as the predictors of trust and police legitimacy based on the commonly shared characteristics. The literature above does not reveal the extent of trust college students have in the police; moreover, they cannot pinpoint the elements that influence police trust and legitimacy in the Cambodian context. Only through empirical study can it reveal factors shaping police trust and legitimacy.

The next chapter reveals the unique features of procedural justice theory, pinpoints the reasons for selecting the youths, especially undergraduates, to be research samples, and outlines the core elements in questionnaire design and survey distribution. Procedural justice modal had been tested in various contexts, and its features are so compatible with the samples and design of the current study.

CHAPTER THREE METHODOLOGY

Summary

This chapter accentuates the applicability of the procedural justice theory and methodology for the current study. The study deployed procedural justice theory to scrutinize factors shaping public trust in the Cambodian police. Procedural justice theory fits the present study due to its focus on the micro-level and its inclusion in many research studies engaging with compliance. Quantitative data from 549 undergraduate students were used in the analyses. The study utilized online survey questionnaires with assistance from the university's personnel department and academic affairs department. The questionnaire began with the inquiry of demographic information, was followed by the dependent variable, trust in police, and was ended with predictive variables concentrating on the four elements of procedural justice theory.

3.1. Theoretical models

To gain cooperation, police officers would require such a high level of trust and confidence from the public because public trust in the police could determine police legitimacy (Hough, 2012). Without trust, the officers may not be regarded as legitimate bodies but as the government's tool without public trust (Goldsmith, 2005). There is a strong link between procedural justice, police legitimacy, and law-abiding behaviors (Trinkner et al., 2019). In essence, the public develops an intrinsic value to cooperate and comply with law enforcement officers when seen as legitimate. They believe that it is morally wrong to disobey the police directives even though they do not entirely agree (Tyler & Huo, 2002). In the long run, the effect of police legitimacy positively influences citizens' law-abiding behavior. The citizens foster the intrinsic value to avoid breaking the law since police cannot sanction all law-breaking behaviors all the time and in all the places; in order to

control crime, police require citizens' voluntary support and cooperation (Tyler & Huo, 2002). This can be illustrated through the example of a simple traffic violation. In particular, a law-abiding driver may stop his car waiting for the green light at a deserted intersection. Because of its voluntary nature of trust-based cooperation, a society can redirect resources toward other social problems without spending on external sanctions (Tyler, 2005). For instance, recruiting and deploying more police officers at various locations at all the time of the day would take a massive cut from the government budget. The resources can be put to use in other sectors for public services like education, health, or the environment.

If legal officials are seen as legitimate, the public tends to cooperate with the police willingly; moreover, the public perception of legitimacy is characterized by their judgment of police-citizen contact in terms of procedurally fair treatment (Sunshine & Tyler, 2003 and Murphy et al., 2013). In general, this judgment is so important for police legitimacy. Perceived police appropriate behaviors could positively link to police legitimacy and ultimately lead to the legitimacy of the law on the whole (Trinkner et al., 2018).

There is a profusion of theoretical modals scholars have employed to study police trust and legitimacy; however, procedural justice had been tested in diverse geographic and political scenarios. A precedent of studies used factors such as the fear of crime, corruption, culture, community cohesion, police performance, etc. It was the procedural justice modal that received the most attention utilized in police legitimacy research. Outstanding scholars had studied the theory; Tom Tyler, Kristina Murphy, Lyn Hinds, Stephen Mastrofski, James Hawdon, Justice Tankebe, and Michael Reisig. In addition, the modal was significant in research on police legitimacy in both developed countries such as the U.S, U.K., and Australia, as well as developing countries such as Indonesia (Davies et al., 2014) and China (Sun et al., 2016).

The development of police legitimacy results from the employment of procedural justice in dealing with the public by law enforcement officers (Murphy et al., 2008). Tyler (2003) claimed that police could not guarantee a satisfactory outcome for both parties in the disputes. As a result, the public may concentrate their concern more on the police's quality treatment and quality of decision-making. Hence, the theory deals more with individual psychological factors. The concept of legitimacy can be subjective because the actual quality of police performance could not be sufficient since police institutions could effectively execute their duties but still lack support from the public (Tyler, 2002). This could be the social media effect in sharing the sensational stories of police mistreatment to the public.

Procedural justice theory had been studied and tested on a variety of populations. Procedural justice theory had not been solely applicable for compliance with police and the court; furthermore, it significantly predicted tax compliance. Procedural justice had a positive effect on the compliance of taxpayers (Murphy et al., 2015). Not only the adult population, but a study in the U.S targeting high school adolescents aged 14 to 16 also revealed that their judgment of police legitimacy was shaped primarily by their perception of procedurally just policing (Hinds, 2007). Additionally, such assessment of procedurally fair treatment was significant among drug abusers. This study found a positive effect of procedural justice on drug abuser's resistance to drug abuse (Liu et al., 2019). Finally, the theory was also realized to affect compliance within the extreme environment – the prison. Procedural justice was associated with the compliance of convicts (Reisig & Mesko, 2009). In short, this theory fits the most in this study.

The theory mainly encompasses citizens' evaluation of how police exercise their power and make decisions. It involves four influential factors; **police neutrality, citizens' voice, trustworthy motives of police, and respect from police toward citizens.**

The first criterion of procedural justice involves fair treatment without bias. Police neutrality is the treatment from police that citizens perceive to be fair to any groups from any socioeconomic, ethnic, religious, and political background. Rather than their personal opinion, police officers utilize objective and factual reasoning when involved in legal decisions that affect the citizens (Ferdik et al., 2016). Police do not have discriminatory practices toward a particular population because officers should exclude their bias and opinion from their treatment; simultaneously, they practice being open and transparent (Murphy, 2017). For instance, police officers follow due process under police procedure, the national constitution, and human rights. In short, police are committed to executing their treatment toward any citizen by regulations and law. This cultivates trust in the police since citizens are sure that legal authority will be consistent with their treatment

Next in no particular order is the perception of involvement. Citizens' voice centers on the opportunity to which police officers grant the public to voice their opinion. This opportunity is considered crucial since the public has a feeling that they are involved in the decision-making process, for example, during a crime investigation, traffic accidents, or community policing projects. The public concentrates on the opportunity to voice their concerns before making decisions; the act of ignoring those concerns is not likely to generate the perception of police's use of procedural justice (Murphy, 2017). Allowing citizens to express their complaints and opinions confidently fosters a more positive relationship between the police and their citizens. This can be defined by the quality of treatment acquired when an officer spares his time to listen to a citizen's problem with empathy (Ferdik et al., 2016a).

According to procedural justice theory, police's trustworthy motives are seen as good police intentions to the citizens. There are times when the expected outcomes of a conflict resolution are unsatisfactory to either of the parties. Due to the police's good intention in attempting to do good things for the sake of the public,

people are willing to accept the unsatisfied outcomes because they believe that police do it for their benefit. By attempting to do what is thought to be best for the citizens, the officers demonstrate that they are aware of and sensitive to their concerns and needs (Murphy, 2017). This is also the solid foundation for building trust in police.

Last but not least, the police's showing dignity and respect to the public plays a vital role—such respectful gestures from police link to the perception that citizens perceive themselves as valued citizens. For instance, police treat the citizens with respect according to their human rights as well as a member of the community. This could communicate to the citizens that both the police and citizens belong to the same group. Treatment with respect and dignity communicates that one is valued by others (Tyler & Blader, 2003). After the feeling of respect, this can result in more compliance from citizens, and at the same time, police can gain more legitimacy. Through such respectful behaviors could trust be built and sustained.

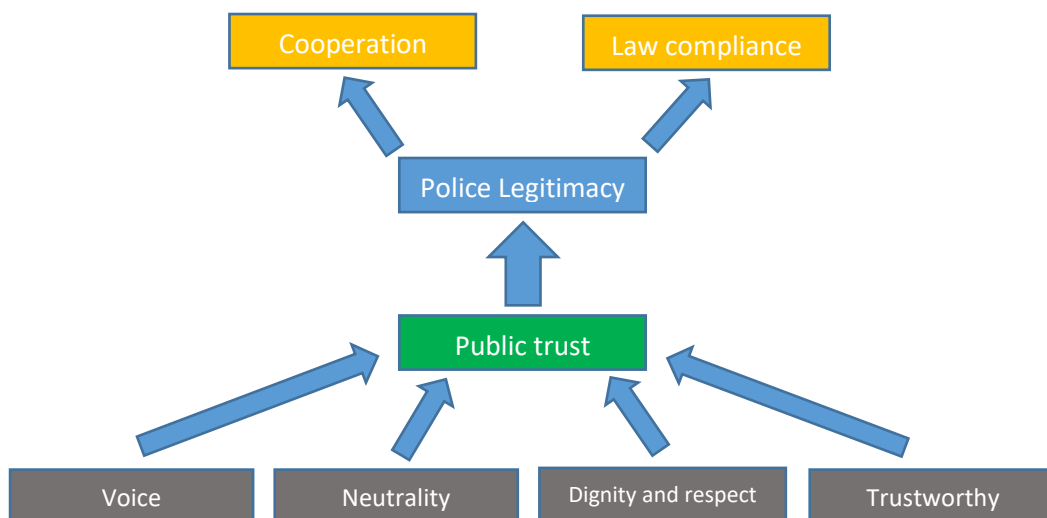


Figure 4. Procedural justice modal

3.2. Research questions and hypothesis

Given the literature review and the theoretical modal above, the current study examines two main questions from the perception of the younger generation of the country:

1. **To what extent do college students trust the police institution?**
2. **What are the main factors that contribute to their trust in the police?**

Thus, the author hypothesized that *neutrality, voice, trustworthy motives, and respect* would likely **positively associate with trust in police** in Cambodia through youths' perception, especially college students.

3.3. Population

The study used quantitative data from survey questionnaires distributed to undergraduate students in two locations; Phnom Penh and Battambang Province. Youths in general and youths as college students share some **common traits**.

Firstly, since college students, like all Cambodian youths, had not been influenced by as high a level of crime rate, corruption, and fear of crime as those experienced by their parent's generation, this younger generation focused more on the treatment from police officers. Older Cambodians had to live with fear and distrust. During the Democratic Kampuchea from 1975 to 1979, overwork, disease, and starvation killed many people. Khmer rouge's policy aimed at generating mistrust among community people and even between parents and children (OECD, 2017). These survivors from the Khmer Rouge regime may have suffered from a psychological trauma known in Khmer as Baksbat – broken courage (Chhim, 2013). After the genocides, they experienced infighting, which officially ended in 1999, between 4 political factors in the country along with a high level of crime, banditry, and extrajudicial killings (Broadhurst et al., 2015). To survive during those ordeals, ordinary citizens were submissive to the authority, passive, and would not stand up to question the authority (Chhim, 2013). Their ordeals may have tainted their attitude toward police; they probably resorted to cooperating with the legal

authority out of fear. After the war, there was a period of the baby boom in the country happening during the post-war period; it comprised a considerable proportion of the youth population. Youths are supposedly people aged 15 to 30 in the Cambodian context (Vong & Hok, 2018). Two-thirds of Cambodia's population is under 30, according to UNFPA, (2016). They had seen a significantly different Cambodia after the war, which did not grant this generation the first-hand experience or memories of the genocidal killing and violence their parents faced (Eng & Hughes, 2017). The difference poses a generation gap and decision-making disparity in the family. The younger generation recognized that their generation was different from other generations since this perception is backed by the fact that over half of the surveyed respondents believe it is acceptable for youth to disagree with their parents (Un et al., 2019).

Second, today's Cambodian youth population as well as college students, have different perceptions of the government and national institutions. Unlike their parent's generation, the people born after the Khmer Rouge regime had been more exposed to more liberal democratic values and integration of Cambodia into the ASIAN community in terms of economic growth to feel a greater sense of security (Soeung, 2016). They had better access to the media and the Internet. As a result, there were many votes from people who had more access to the Internet (Un et al., 2019). Cambodian youths are more likely to ignore the country's tragic history and focus their energy more on significant reforms leading to better living standards (Vong & Hok, 2018). They demanded and expected more from the government; based on the Cambodia Development Resource Institute survey in 2019, youths' top five concerns center on infrastructure, education, health, economy and jobs, and environmental issues¹⁷. In contrast, their parents were concerned more about

¹⁷ Un Leang, Saphon Somolireasmey, Sok Serey, 'Gender Analysis of Survey on Cambodia's Young and Old Generation: Family, Community, Political Knowledge and Attitudes, and Future Expectations', Cambodia Development Resource Institute, 2019

regime stability; they usually reward the ruling party by voting because of their perception of the government's rescuing the country from the Khmer Rouge regime.

Third, Cambodian youths are generally more educated than are their parents. The generational gap in educational attainment is markedly noticeable; almost half of all youths had completed primary education, and 30% had completed secondary school, whereas only 43.5 % of their parents attained primary education and 13,4% secondary one (Eng & Hughes, 2017). As for higher education, the government promoted the commercialization of both private and public forms of higher educational institutions with a fee-paying system which allowed access to the mass resulting in more lecturing staff and numbers of students in the late 1990s (Un & Sok, 2018). According to MoEYS (2019), there were 168,242 students in undergraduate programs in the academic years 2018-2019; females accounted for 83,585 (49.68%). Compared to academic years 2016-2017, the number of undergraduate students increased by 2,883 or 1.7%, while females increased by 4,413¹⁸.

Despite the common characteristics, this small proportion of youths was also **unique**. They made up 8.2 percent of the youth population (UNDP, 2014) due to their enrollment in higher education programs. Their enrollment in tertiary programs mainly resulted from their socioeconomic background; their parents were mostly government employees, followed by business people, farmers, and laborers (Williams et al., 2016). Therefore, they were likely to come from a better-off family. Even made up of a small proportion of the population, they can represent youths in general and actively engage in the country's development. This group usually aspires to change and to improve. College students were considered more critical and rebellious to the government; they were regarded as intellectuals and were involved in protests against the government throughout modern Cambodian

¹⁸ Education Congress Report, 'The education, youth and sport performance in the academic year 2017 – 2018 and goals for the academic year 2018 – 2019', Cambodian Ministry of Education, Youth, and Sports, 2019

history, for instance, in the late 1960s; furthermore, they were targeted during the Khmer Rouge Regime as the enemy of the state (Tully, 2005). Groups of students were also involved in protests in various places and times, as seen recently in Thailand and Hong Kong.

This paper is significant since it is the first to assess police trust and characteristics among this younger generation of Cambodia, leading to substantive contribution to both the academic community and policymakers. It is essential that police understand the level and characteristics of trust youths had in police and devise instruments to gain their cooperation since this population will play various roles such as offenders, victims, witnesses of crime, and future leaders (Williams & Nofziger, 2003).

3.4. Data Collection

3.4.1. Pilot Study

To check the reliability of the questionnaires, the author conducted a pilot survey with 70 respondents. After the pilot survey, the author made such modifications to the questionnaires that they were more understandable to the respondents who were unfamiliar with the topic. For example, in questions 6 and 7, the author added further examples of personal contact with the police and victimization accordingly. The reason that the author provided additional examples was to include both police-led contacts and citizen-led contacts. The reason for having further examples for question 7 was to emphasize the nature of various crimes, including the least serious ones, since most of the respondents considered only the severe forms of crime such as robbery but not petty crimes, namely theft or burglary. Moreover, by conducting the pilot survey, the author increased the reliability of the questionnaires, and the author attained more confidence to perform the actual survey.

3.4.2. Survey instrument

The quantitative online survey was employed in this research because it is considered the most appropriate technique in studying a large population and generating generalizations from the sample. A questionnaire was used to survey the undergraduate students in both Phnom Penh and Battambang Province. The author used online survey questionnaires because of their confidentiality, effectiveness, and efficiency. There were two versions of the questionnaires (Cambodian language (Khmer) and English). After the author's translation, more peer proofreading for the translation had been implemented to check for any mistranslation. This was done to ease the undergraduate students in answering the survey questionnaires since not all the respondents were majoring in English.

3.4.3. Participants and Sampling

The author utilized a convenient sampling method due to the canceling of face-to-face classes at universities during the pandemic. The author approached the students by sending the survey request to two universities in Phnom Penh and another two in Battambang Province. Students were not offered any incentives to participate; participation was strictly voluntary. Those who participated were encouraged to provide honest responses to the survey items. Members of the university were not present during their completion of the survey since it was online-based. After receiving approval from the university board, the online questionnaire was distributed to online classes. Students were encouraged to participate in answering the survey on their own will.

Part I: The questionnaire focuses on demographic background factors such as gender, age, seniority, the field of study, employment, the experience of personal contact with police, the experience of victimization, and a dependent variable that measures respondents' trust in police.

Part II: The questionnaire centers on the respondents' perception of police neutrality.

Part III: The questionnaire concentrates on measuring perceived dignity and respect from police toward citizens.

Part IV: The questionnaire is fixated on the respondents' perception of the trustworthy motives of the police.

Part V: The questionnaire associates with measuring perceived citizens' voices.

3.5. Variable coding

3.5.1. Demographic Factor

Early research on the relationship between the public and police focused on demographic variables as predictors of police trust, and the result had been mixed. Gender was the predominant predictor of trust; females were more favorable toward police (Mbuba, 2010); however, some other studies found the insignificance of such demographic factors on police legitimacy and trust. For instance, trust in police was not related to any of these variables; gender, age, ethnicity, part-time employment (Hinds, 2007). In addition, having personal contact with police officers and experiencing victimization were not predictors of trust in police. These experiences are shaped by personal and vicarious exposure to legal authority and crime perception (Trinkner et al., 2019). Thus, the influence of demographic variables on police trust varies across social and political contexts.

The current study attempted to explore the influence of demographic variables on trust in police both without and with the effect of procedural justice elements. The demographic characteristics include gender, age, college levels, employment, fields of study, the experience of personal contact with police, and experience of victimization. The respondents choose the provided answers

according to their basic information. Gender, personal contact, victimization, seniority, and employment were coded as dummy variables. Male was coded as 0, and female was coded as 1 (male=0, female=1). Having no personal contact with police was coded as 0, and having personal contact with police was coded as 1 (No=0, Yes=1). Having no experience with victimization was coded as 0, and having experienced victimization was coded as 1 (No=0, Yes=1). The seniority was also divided into four categories: freshman (code=1, others=0), sophomore (code=1, others=0), junior (code=1, others=0) and senior (reference). Lastly, three kinds of employment were provided to the respondents: unemployed (code=1, others=0), part-time (code=1, others=0), and full-time (reference).

3.5.2. Dependent variable

The study used one question to measure trust in police: ***To what extent do you view police to be trustworthy?*** This question measured the dependent variable. There were four answers for the respondents to choose from, and the responses fell into two different groups: Distrusting the police - **(a)** Not trustworthy at all and **(b)** Not quite trustworthy, - Trusting the police - **(c)** Quite trustworthy, and **(d)** Highly trustworthy.

3.5.3. Independent variables:

The questionnaire was modified from the previous study on police legitimacy. The five Likert scales (strongly disagree, disagree, neutral, agree, and strongly agree) were adapted. There are five items in police neutrality, which were modified from previous research. The first one was adapted from (Ren et al., 2005). "The police officers treat all citizens equally in general." Another two were modified and adapted from (Sherman et al., 1998). "Police treat people with respect to their rights. Police in Canberra enforce the law fairly". The last two were adopted from (Boateng, 2016). "The police accurately understand and apply the law. The police officers make decision about how to handle problems in a fair way".

There are five items used to measure dignity and respect from police toward citizens. They were adopted from previous research. The first two were adapted from (Mazerolle et al., 2013). "Police are polite when dealing with people. Police are helpful when dealing with people". The following two are modified from (Sherman et al., 1998). "I was treated with respect at treatment. Police were rude when I was contacted". The last one was adapted from (Sun et al., 2016). "Police would treat you with respect if you contact them for any reason."

The third cluster of variables that center on the trustworthy motives of police contains five items. The first two items were adapted from (Ren et al., 2005). "The police officers show concern when asked questions. The police officers are usually honest". The last three items are adapted from (Ferdik et al., (2016), Boateng, (2016), Sun et al., (2016)) respectively. "Police can be trusted to make decisions that are right for you. The police make decisions based on facts, not their personal biases or opinions. Police clearly explain the reasons for their actions to people they deal with".

Finally, the last independent variable involves the voice of citizens. There were five items, two of which were modified and adapted from (Sherman et al., 1998). "I had an opportunity to express my views. All sides had a fair chance to present views". The last three items were adapted from (Ren et al., (2005), Sun et al., (2016), Akinlabi, 2018)) accordingly. "The police officers work with citizens together in solving problems. Police give people opportunities to explain their situations. Police listen to people before making decisions".

The questionnaire of independent variables was constructed and consisted of four predictive factors from part two to part five. Each of the predictive factors was a set of questions, and respondents were asked to select one answer from the five Likert scales. There are five answers for each item; (1) Strongly disagree, (2) Disagree, (3) Neutral, (4) Agree, and (5) Strongly agree.

The author investigated the factors contributing to trust in police through the perception of the youth of Cambodia, primarily undergraduate students. The researcher identified two universities in Phnom Penh and two universities in Battambang. All the targeted universities were public; they were more accessible to the mass since they offered scholarships and degrees at cheaper tuition fees than expensive private universities, which reserves for the elites. Geographically, Phnom Penh is the most suitable since it is the heart of Cambodia, where students are coming from all parts of the country. Another location was Battambang Province, which is one of the top five places in Cambodia for its population according to the National Institutes of Statistics, (2019) and economic potential (UNDP, 2019). In addition, Battambang Province is considered the hub for academic and central government institutions for the five surrounding northwestern provinces: Siam Reap, Banteay Meanchey, Pursat and Odormeanchey, and Pailin.

The data collection process started on 25th November 2020 and continued until 05th January 2021. It was voluntary with no pressure to join the survey.

To conduct this research, the author proceeded as follow:

1. Created the questionnaires and attained approval from the supervisor
2. Proposed request letters from the supervisor.
3. Summited the questionnaire and request letters to the targeted universities.
4. Sent the online questionnaire to the research department to help survey students after receiving approval.

3.6. Data Analysis and research method

The SPSS program (Statistic Package for Social Science) version 26 was utilized for analyzing data by transforming the information from the questionnaires and encoding them into numbers. They were processed with a statistical analysis program. Logistic regression analysis was used to assess the influence of the

predictive factors on the dependent variable because the ordinary multiple regression is not suitable when the dependent variables were classified as categorical. The descriptive statistics, frequency, and percentage analysis were utilized for the demographic background. The author used binary logistic regression to analyze the predictive variables affecting police trust from youths of Cambodia through undergraduates.

After receiving a sizable number of responses from the two locations, the data was processed with a rigorous statistical procedure to test for its reliability and validity in order to produce such reliable findings that they help determine whether or not the study's research questions are answered, and the hypothesis is proved or disproved. The results of the analysis are presented in the next chapter.

CHAPTER FOUR

DATA ANALYSIS

Summary

A closer look at the data revealed several significant findings. The majority of the respondents comprised primarily female sophomores and juniors in their late teens and early 20s pursuing degrees in various fields of studies with little or no personal contact with the police; furthermore, only a tiny percentage of the respondents experienced victimization. According to the descriptive finding, more than half of these youths, undergraduates, regard the authority in Cambodia as trustworthy. The result revealed four statistically significant variables to police trust; these significant predictors are the state of being college students, neutrality, dignity and respect, and citizens' voice. The chapter provides in detail the results from the statistical data analyses.

4.1. Descriptive Analysis

4.1.1. Demographic factors

The survey was distributed to undergraduate students in two locations, the capital city, and Battambang Province. Table.1 represents the demographic information of the participants. **549** students responded to the survey. Female students accounted for 63.4 percent of the respondents, which is similar to the population of Cambodia, whose 52% of the population consists of females according to the population census of the kingdom of Cambodia conducted in 2019. Regarding higher education, 49.68% of students were female, according to MoEYS (2019). Age 18 to 22 accounted for 82.7%, and 15.3% were in the second group of 23 to 27. Only 2 percent of the respondents were in their late 20s and early 30s. This age cohort represents the youth population in Cambodia, which accounts for two-thirds of the people. Out of the 549 respondents, 220 were junior students,

213 were in the second year, 94 were seniors, and only 22 were first-year students. Approximately 68 percent of the undergraduate students were from various fields of studies, compared to 27 percent majoring in languages. 72.3 percent of the respondents were not employed during the time of completing the survey. Regarding both police-initiated and citizen-initiated encounters, 57 percent of the respondents had no personal contact with police. Finally, only 19.3 percent of the survey respondents used to be a victim of crime.

Table 1: Demographic factors (n=549)

| Socio-demographic | N | (%) |
|-------------------------|-----|------|
| GENDER | | |
| Male | 201 | 36.6 |
| Female | 348 | 63.4 |
| AGE (Years) | | |
| 18-22 | 454 | 82.7 |
| 23-27 | 84 | 15.3 |
| 28-32 | 11 | 2.0 |
| SENIORITY | | |
| Freshman | 22 | 4.0 |
| Sophomore | 213 | 38.8 |
| Junior | 220 | 40.1 |
| Senior | 94 | 17.1 |
| EMPLOYMENT | | |
| Unemployed | 397 | 72.3 |
| Part-time | 55 | 10.0 |
| Full-time | 97 | 17.7 |
| FIELD OF STUDY | | |
| Languages | 149 | 27.1 |
| Business-related | 19 | 3.5 |
| IT | 10 | 1.8 |
| Other | 371 | 67.6 |
| PERSONAL CONTACT | | |
| Yes | 235 | 42.8 |
| No | 314 | 57.2 |
| VICTIMIZATION | | |
| Yes | 106 | 19.3 |
| No | 443 | 80.7 |

4.1.2. View police to be trustworthy:

Table.2 summarized the perception of trust the respondents had toward the Cambodian police. The respondents were asked to pick one of the answers to represent their trust. Four answers were provided to measure their trust in the police. Table.2 showed that 63.6% of the respondents considered the police to be **quite trustworthy**, and 12.4% viewed police to be **highly trustworthy**. Only 20.8% had little trust in the police by selecting choice C; Not quite trustworthy, while 3.3% of the respondents expressed a negative perception of the police by selecting answer A, not trustworthy at all. The result concludes that the majority of respondents regarded the police as trustworthy.

Table 2. View police to be trustworthy

| (n=549) | N | % |
|---|-----|------|
| To what extent do you view police to be trustworthy? | | |
| Not trustworthy at all | 18 | 3.3 |
| Not quite trustworthy | 114 | 20.8 |
| Quite trustworthy | 349 | 63.6 |
| Highly trustworthy | 68 | 12.4 |

4.1.3. Police Neutrality:

There were five items designed to test the perception of citizens toward police neutrality. According to Table.3, a majority of respondents believed that police were fair by agreeing with the statements; "Police treat all citizens equally in general" 48.5%, "Police treat people with respect to their rights" 51.9% and "Police accurately understand and apply the law" 49.7% and "Police make decisions about how to handle problems in fair ways" 40.4%. However, 33.7% of the respondents disagreed with the statement, "Police in my country enforce the law fairly."

Table 3. Police neutrality

| Neutrality | (1) | (2) | (3) | (4) | (5) |
|--|------------|--------------|--------------|--------------|------------|
| 9. Police treat all citizens equally in general. | 27 4.9% | 110 20.0% | 131 23.9% | 266 48.5% | 15 2.7% |
| 10. Police treat people with respect to their rights. | 18 3.3% | 92 16.8% | 127 23.1% | 285 51.9% | 27 4.9% |
| 11. Police accurately understand and apply the law. | 9 1.6% | 108 19.7% | 129 23.5% | 273 49.7% | 30 5.5% |
| 12. Police make decisions about how to handle problems in fair ways. | 23 4.2% | 134 24.4% | 150 27.3% | 222 40.4% | 20 3.6% |
| 13. Police in my country enforce the law fairly. | 41 7.5% | 185 33.7% | 162 29.5% | 150 27.3% | 11 2.0% |

Note: (1) Strongly disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly agree

4.1.4. Dignity and respect:

Initially, 56.6% of the respondents agreed that police are helpful to the citizens. In addition, the respondents perceived police to treat citizens politely (49.5%). Regarding perceived respect from police, the majority responded to choice four by agreeing with the statements that emphasized treatment with respect. On the contrary, the perception of the respondents' last encounter with police was slightly positive 35%, while 31 % of respondents regarded the police they last met as being rude. Table.4 represents respondents' perception of police dignity and respect toward citizens.

Table 4. Police's dignity and respect to citizens

| Dignity and respect | (1) | (2) | (3) | (4) | (5) |
|--|------------|--------------|--------------|--------------|------------|
| 14. Police are polite when dealing with people. | 14 2.6% | 108 19.7% | 139 25.3% | 272 49.5% | 16 2.9% |
| 15. Police are helpful when dealing with people. | 10 1.8% | 86 15.7% | 130 23.7% | 311 56.6% | 12 2.2% |
| 16. Police treat people with respect. | 15 2.7% | 106 19.3% | 158 28.8% | 255 46.4% | 15 2.7% |
| 17. The police officers with whom I had contact the last time were rude. | 17 3.1% | 180 32.8% | 177 32.2% | 160 29.1% | 15 2.7% |

| | | | | | |
|---|-----------|-------------|--------------|--------------|------------|
| 18. Police would treat you with respect if you contact them for any reason. | 5 0.9% | 91 16.6% | 147 26.8% | 295 53.7% | 11 2.0% |
|---|-----------|-------------|--------------|--------------|------------|

Note: (1) Strongly disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly agree

4.1.5. Police's trustworthy motives

The police being viewed as honest was average (36.5%), whereas 33% held an unfavorable view. Similarly, the perception of trusting the authority to make the right decision for the sake of the citizens was average; approximately 30 percent of the respondents held an unfavorable view compared to 39% positive. On the other hand, 57.2% and 60.3% agreed that police made decisions based on facts and clearly explained their reasons for their action, respectively. Table.5 illustrates the perceptions of the respondents on the good intentions of officers toward the public.

Table 5. Police's trustworthy motives

| Trustworthy motives | (1) | (2) | (3) | (4) | (5) |
|--|------------|--------------|--------------|--------------|------------|
| 19. Police are usually honest. | 22 4.0% | 159 29.0% | 168 30.6% | 192 35.0% | 8 1.5% |
| 20. Police can be trusted to make decisions that are right for you. | 25 4.6% | 136 24.8% | 174 31.7% | 213 38.8% | 1 0.2% |
| 21. Police make decisions based on facts, not their personal opinions. | 16 2.9% | 73 13.3% | 118 21.5% | 314 57.2% | 28 5.1% |
| 22. Police clearly explain the reasons for their actions to people they deal with. | 12 2.2% | 54 9.8% | 136 24.8% | 331 60.3% | 16 2.9% |
| 23. Police show concern when people ask them questions. | 13 2.4% | 112 20.4% | 180 32.8% | 232 42.3% | 12 2.2% |

Note: (1) Strongly disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly agree

4.1.6. People's voice:

The majority of the respondents responded positively to each of the statements emphasizing police's allowing them the opportunity to express their opinions. For example, 56.6 percent of the survey participants agreed that police gave people chances to voice their opinion. In addition, 67.8% believed that they

had as fair an opportunity to express their opinion as did the opposite party in a conflict resolution. The table below summarizes the respondents' perception of the perceived chances that they could voice their opinion and complaints.

Table 6. People's voice

| Voice | (1) | (2) | (3) | (4) | (5) |
|---|------------|-------------|--------------|--------------|------------|
| 24. Police give people opportunities to express their opinion. | 20 3.6% | 79 14.4% | 118 21.5% | 311 56.6% | 21 3.8% |
| 25. Police work with citizens together in solving problems. | 9 1.6% | 62 11.3% | 94 17.1% | 366 66.7% | 18 3.3% |
| 26. During a conflict, all sides have a fair chance to present views. | 9 1.6% | 33 6.0% | 91 16.6% | 372 67.8% | 44 8.0% |
| 27. Police give people opportunities to explain their situations. | 7 1.3% | 41 7.5% | 106 19.3% | 370 67.4% | 25 4.6% |
| 28. Police listen to people before they make decisions. | 10 1.8% | 52 9.5% | 133 24.2% | 327 59.6% | 27 4.9% |

Note: (1) Strongly disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly agree

4.2. Reliability and Validity

4.2.1. Reliability:

The internal reliability of the overall scale of the questionnaire was deployed to ensure the internal instrument reliability. Cronbach's alpha coefficient for the four instruments were high and were deemed acceptable; **neutrality (a = .874)**, **voice (a = .856)**, **trustworthy motives (a = .814)**, and **respect (a = .759)**.

4.2.2. Validity:

The essential statistical test was applied to check the questions' validity. Firstly, the **Kaiser-Meyer-Olkin** test for the factors provided a score of 0.932, which was considered higher than the standard value of 0.6, and the **Cronbach's alpha** test produced an overall value of 0.903, which is above 0.7. To test the divergent validity of the questionnaires, the exploratory factor analysis was used to determine

how the 20 questions of procedural justice modal are related to each Factor by limiting factors based on the four elements of procedural fairness. These four factors explained about **68%** of the total variance. This result is consistent with the conceptual framework of this research. Some uncorrelated items were deleted when the Varimax rotation method was employed.

4.3. Factor Analysis:

After conducting dimension reduction with the Varimax Factor, neutrality was condensed into Factor one with five items. Voice of citizen was in Factor two, which consists of five items. In addition, the perception of trustworthy police motives is located in Factor 3, represented by three items. Finally, dignity and respect are expressed in Factor four with one item featuring the highest loading score of .980. Table.7 illustrates the correlations of the factors rotation formulated by the Varimax rotation method.

Table 7. Factor rotation

| Items | Factor 1 | Factor 2 | Factor 3 | Factor 4 |
|---|----------|----------|----------|----------|
| Neutrality | | | | |
| N1 | .762 | | | |
| N2 | .805 | | | |
| N3 | .727 | | | |
| N4 | .729 | | | |
| N5 | .640 | | | |
| Voice | | | | |
| V1 | | .670 | | |
| V2 | | .595 | | |
| V3 | | .787 | | |
| V4 | | .826 | | |
| V5 | | .768 | | |
| Trustworthy motives | | | | |
| T1 | | | .776 | |
| T2 | | | .703 | |
| T5 | | | .584 | |
| Respect | | | | |
| R4 | | | | .980 |
| <i>Extraction Method: Principal Component Analysis</i> | | | | |
| <i>Rotation Method: Varimax with Kaiser Normalization</i> | | | | |
| <i>Eigenvalues</i> | 3.197 | 3.175 | 2.184 | 1.041 |
| <i>Cumulative % of Variance</i> | 22.834 | 45.514 | 61.114 | 68.553 |

4.4. Correlation analysis:

Prior to running the logistic modal, this study employed correlation analysis and variance inflation factor (VIF) to test the threat of multicollinearity. Before running the logistic regression, the bivariate correlation was utilized to test for multicollinearity. Even there was a **significant relationship** between **Neutrality** and **Trustworthy** motives, the data was suitable to proceed since the highest score of **VIF** was only **2.14**, which means there is no problem of multicollinearity to run the regression.

Table 8. The correlation matrix

| | Neutrality | Voice | Trustworthy | Respect |
|-------------|------------|-------|-------------|---------|
| Neutrality | 1.000 | | | |
| Voice | .597 | 1.000 | | |
| Trustworthy | .685 | .610 | 1.000 | |
| Respect | .171 | .153 | .172 | 1.000 |

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

4.5. Result of Logistic regression:

To examine the influence of procedural justice, the study conducted a series of regression analyses. The first set of regression analyses included only demographic measures as predictor variables to predict trust in police. The second input both the demographics and procedural justice variables to predict trust in police.

4.5.1. Preliminary analysis:

Before testing the effect of procedural justice on trust in police, the study attempted to explore the association between demographic factors and trust in police. Logistic regression was run to examine the relationship between each demographic variable with the dependent variable. Table 9. revealed that only

three demographic factors are statistically significant to trust without the effect of procedurally fair policing. They are gender, the experience of victimization, and the seniority of the respondents. Firstly, the result suggested that females were more likely to trust police officers than were their male counterparts. This finding was similar to a study in the U.S; even with higher education, females students were more likely to view police more favorably than were male students (Mbuba, 2010, Hawdon et al., 2003). Secondly, the result also indicated that people who experienced victimization had less trust in police. Again, this result was in line with the studies conducted in Latin America and the U.S. After having experienced victimization, a person developed more fear of crime, leading to having a lower level of trust in the police (Malone & Dammert, 2020, Ren et al., 2005). Finally, compared to students in their last year in college, first-year students, sophomores, and juniors had more trust in the police. This effect was similarly found in the study in Thailand, which found that the higher educated a person is, the less trust he had in police (Sahapattana & Cobkit, 2015).

Table 9. Logistic Regression Results (Demographic)

| Dependent Variable | Perceiving police to be trustworthy | | |
|--|-------------------------------------|------|-----------|
| | B | SE | Odd Ratio |
| Demographic Variables | | | |
| Gender (ref: Male) | | | |
| Female | .600* | .220 | 1.823 |
| Personal Contact (ref: Having personal contact with police) | | | |
| No Contact | -.290 | .229 | .748 |
| Victimization (ref: Having experienced victimization) | | | |
| No | .791** | .256 | 2.206 |
| Victimization | | | |
| Seniority (ref: Senior) | | | |
| Freshman | 1.530* | .689 | 4.620 |
| Sophomore | .992** | .322 | 2.696 |
| Junior | .785* | .301 | 2.193 |

| Employment (ref: Full-time) | | | |
|------------------------------------|-------|------|-------|
| Unemployed | .112 | .307 | 1.118 |
| Part-time | -.116 | .408 | .891 |

*R Square = .115, **P<.005, *P<.05*

4.5.2. Primary analysis

Table 10. represents the result of logistic regression with the inclusion of the elements of procedural justice. All of the procedural justice elements had a positive relationship with trust in police; however, only three of them were statistically significant, one of which was the perception of **police neutrality** ($B = .839, P < .001$). The result indicates that with a one-unit increase in the perception of police neutrality, the odds of trusting the police are 2.31 times much greater than the odds of distrust police while other variables are kept constant. This finding implies that the more youths view police as neutral, the more trust they are likely to have toward police. In addition, the second important element is **Voice** ($B = .831, p < .001$). It illustrates that for every unit increase in the perception of having a chance to voice their opinion, the odds of trusting police are 2.29 times much greater than the odds of distrusting police while other variables are kept constant. The last significant element of procedural justice is **Respect** ($B = .395, p < .005$). According to the results, it is more likely that the more opportunity police grant youths to express their opinion and more respect youths perceive from police, the more trust they would have in the police. Trustworthy motive is statistically insignificant. Finally, except for **college seniority** ($p < .05$), the other demographic factors are insignificant. This result implies that first-year students, sophomores, and junior students are more likely to trust police than seniors.

Table 10. Logistic Regression Results

| Dependent Variable | Perceiving police to be trustworthy | | |
|--|-------------------------------------|------|-----------|
| | B | SE | Odd Ratio |
| Neutrality | .844*** | .221 | 2.325 |
| Voice | .829*** | .227 | 2.290 |
| Trustworthy | .112 | .240 | 1.119 |
| Respect | .398** | .136 | 1.490 |
| Demographic Variables | | | |
| Gender (ref: Male) | | | |
| Female | .327 | .27 | 1.37 |
| Personal Contact (ref: Having personal contact with police) | | | |
| No contact | -.211 | .20 | .810 |
| Victimization (ref: experiences victimization) | | | |
| No | .551 | .25 | 1.734 |
| Victimization | | | |
| Seniority (ref: Senior) | | | |
| Freshman | 1.961* | .850 | 7.105 |
| Sophomore | .868* | .373 | 2.383 |
| Junior | .905* | .344 | 2.472 |
| Employment (ref: Full-time) | | | |
| Unemployed | .118 | .350 | 1.125 |
| Part-time | -.265 | .471 | .767 |

*R Square = .368, ***P<.001, **P<.005, *P<.05*

4.6. Research Findings

According to the results of this survey, the author found out that a high percentage of college students (75%) had a positive perception of police. Despite some concern about police honesty, disrespectful behaviors, and their impartiality, the findings suggest that most college students regard the authority as **trustworthy**. A majority of respondents expressed their positive perception of police regarding their neutral treatment, respect and concern toward citizens, and citizens' opportunity to voice their concern. The students' evaluation of the authorities' practice when they exercise their power and make decisions significantly influence

their trust in the police. Thus, the results proved the significance of procedural justice modal as the predictors of trust and police legitimacy in the Cambodian context through college students' perception. Procedural justice policing is the core element affecting trust in the police. The results are similar to many studies conducted in the U.S., the U.K, Canada, and Asia, such as China (Sun et al., 2016). Neutrality, voice, and dignity and respect significantly influence trust in police, while the perception of trustworthy police motives does not. These three aspects of procedural justice theory are essential to the public judgment of the quality of treatment and quality of decision making (Tyler, 2005).

The only significant demographic factor is college-level – seniority at university, considering the influence of procedural justice on respondents' judgment of trust. Being a college student affected trust in the police. The more time respondents spend pursuing their degree, the less likely they will trust the police. This study is different from the study in Bangladesh, Canada, Nigeria, and the U.S in 2010, where the college level was statistically not significant to trust in the police (Lambert et al., 2010).

4.7. Discussion

Even though there are some obvious concerns about police's fair implementation of the law, police's honesty, and police's rude behaviors during the last contact, the study revealed that most youths, undergraduate students, perceived the police to be trustworthy. **First** of all, being a college student was statistically significantly associated with trust in the police since it was the only significant demographic factor. In addition, this group of people were likely to have few personal contacts with police; for instance, only approximately 40 percent of the respondents had personal police-citizen encounters. Personal contacts have a considerable impact on forming the perception toward police. Compared to vicarious experiences, personal contacts with the police can negatively affect citizens' perception of law enforcement officers (Geller & Fagan, 2019). Even

exposure to police misconduct through the media does not predict the change of citizens' perception of police (Ilchi & Frank, 2019). The limited number of encounters with police may prevent youths from developing such negative perceptions toward police since a negative encounter and even a neutral encounter with police can be perceived as a negative experience (Trinkner et al., 2018). **Another factor**, if they had contacts with police, they are more likely to receive better treatment from the police, possibly due to their better socioeconomic status than youths who have lower socioeconomic status dwelling in high crime neighborhoods. Cambodian college students are more likely to come from better socioeconomic families whose parents are predominantly government workers, followed by traders, farmers, and laborers (J. H. Williams et al., 2016). Police are more likely to treat people according to their residential area; residents in well-off communities receive more respect and friendly treatment from the police (Boateng, 2016). **Last but not least**, only 20 percent of the respondents used to be crime victims. Being a victim of a crime harms trust in the police (Alda et al., 2017). Without procedurally fair treatment during the personal encounter with police, the experience of victimization can be so overwhelming to victims that it results in anxiety, shame, anger, or even frustration; thus, the so-called second victimization could develop a negative perception toward the police (Barkworth & Murphy, 2016).

Youths are thought to be different from their parents, whose trust in police may center upon their safety and police performance; however, these youths are more prone to focus their concern over police fair treatment, respect, and chances to voice their complaints during the encounter. Similarly, college students were concerned more about procedurally just and fair treatment; this was in contrast to their adult population, which skewed toward police effectiveness in Ghana and South Africa (Akinlabi, 2015). The significant findings of the current study revealed that the direct effect of procedural justice was found to be the predictors of trust in police. As a matter of fact, the younger population with different expectations

toward government and especially police institutions had formed themselves different perceptions. Youths had formed their trust in police according to their judgment of the three main elements; police neutrality, dignity and respect, and the opportunity to express their opinion. Tyler (2005) claimed that the three aspects of procedural justice were important in judgment about procedurally just policing. Youths expect police officers to have more knowledge of the law and implement it impartially. Such quality decision-making can be illustrated by using objective criteria and facts to make a legal decision that could affect the lives of the citizens (Ferdik et al., 2016). Moreover, they expect the police to pay respect in accordance with their human rights to feel more valued. One perceives to be valued by others through treatment with respect and dignity (Tyler & Blader, 2003). Finally, yet importantly, these youths assume the police to offer them the opportunity to voice their complaints and opinion to feel their involvement in the decision-making process. Quality treatment, for instance, is when a police officer takes the time to listen to citizen concerns, affords the public voice in legal matters (Ferdik et al., 2016). In a sense, this could be somewhat analogous as a part of co-production since citizens' involvement is likely to increase all kinds of trust (Loeffler, 2021). However, the attributes to the changes as well as the dynamic relationship between the police and youths, especially college students, deserve to be further empirically studied in the future.

However, one of the procedural justice elements did not play a salient role in shaping the Cambodian college students' trust in police. Police's trustworthy motives had no direct correlation with trust in police. **The first factor** could be Cambodia's traumatic history, when government officers distrusted each other and their citizens, leading to the killing, torturing, and starving of millions of people during the Democratic Kampuchea (Chandler, 1999). The lack of trust could be illustrated through an opinion survey where 94% of the Cambodian respondents expressed that they could not trust people in their country (The Asia Foundation, 2014). Good intention alone can be misunderstood or misinterpreted because of

the lack of trust even among ordinary citizens. **Another factor** could result from the interdependence and interrelatedness of the elements of procedural justice. According to the test of bivariate correlation result, there was a significant association between **neutrality** and **trustworthy motives**. The neutrality factor was significantly correlated to the trustworthy motive factor at .685. It is possible that when citizens view police as neutral, they also believe police to have trustworthy motives; these two elements come in a package. The quality of treatment and quality of decision-making can be overlap, and the public may form their judgment with a combination of these two elements (D. Johnson et al., 2014).

Unexpectedly, the level of college seniority affected trust in police. Just being a college student could predict their trust in the police. The earlier the students start college, the more they trust police officers. The longer years they spend pursuing their study, the less likely they view the police as trustworthy. Possibly, the more time they may spend accumulating their knowledge, the more critical thinking skill they develop. For example, U.S. college students were less likely to trust police than the general population (Williams & Nofziger, 2003). Another factor, undergraduates make friends with educated people and probably stay in neighborhoods where the majority were educated since the more educated a person becomes, the more skeptical they are (Aronson, 2018). Studies in Latin America also suggested that residents with higher education expressed significantly less trust in their police (Malone & Dammert, 2020). So did the research in Thailand (Sahapattana & Cobkit, 2015).

Presumably, personal contact with police and victimization are usually considered to be associated with trust in police. Surprisingly, this was not the case in the Cambodian context. Having personal contact with police does not correlate with trust in police. **Firstly**, It could be the result of the nature of the contact. For the most part, the contact when citizens would demand assistance from police officers was perceived as more positive. In contrast, police-initiated contacts were

likely to be discerned as unfavorable. These negative encounters usually involved the traffic stop and the stop and search. Without procedurally just policing, they could produce a negative experience for both citizens and police officers; even neutral encounters resulted in a negative feeling toward police (Trinkner et al., 2018).

In addition, having experienced victimization does not significantly predict the trust in police with consideration to procedural justice. Typically, a victim of a felony crime, rape or robbery, may experience second victimization when making contact with officers. Such victims develop more negative feelings and emotions of anger, frustration, resentment, shame, and anxiety when they receive procedurally unjust treatment (Barkworth & Murphy, 2016). This segment of the population with higher education was likely to experience only minor crimes without leaving a tremendous emotional trauma on their daily lives. Fear of crime does not influence trust in the police (Wu & Sun, 2009). However, the direct victimization or having a family member falls victim to crime was negatively associated with the perception of police performance not fair treatment, for such a crime victim may focus more on police performance and expect the police to recover the lost belonging (Hawdon et al., 2003).

The findings from this correlational study offered similarities from previous research in police trust and legitimacy. The study also highlighted some different characteristics unique to the sample and Cambodian context. Thus, even though there are some limitations to this present study, the findings have significant real implications to police institutions, especially at the managerial level and policymakers.

CHAPTER FIVE

CONCLUSION

5.1. Summary and conclusion

The lack of trust in the Cambodian police remained the challenge hindering the country's sustainable development due to its negative association with the rising crime level, low level of law-abiding behaviors, and inadequate public cooperation. Not only did this study set sail to assess the degree of trust in police, but it was also an early attempt to determine the characteristics of the police trust from the youths' perspective, especially college students. In general, youths grew up in a different Cambodia compared to their parent generation; they have different expectations from the government and police institutions. Understanding their perception toward police could inspire their cooperation and compliance. The study centered on two research questions.

1. To what extent do college students trust the police institution?
2. What are the main factors that contribute to their trust in the police?

The present research study revealed some significant findings as follows.

Firstly, even though there was concern with fair law enforcement practice and police honesty, a majority of the respondents (**75%**) viewed police as trustworthy. College students were positive toward the Cambodian police. However, it was not known whether their trust is better than that of the older generation; this concern should be more carefully examined by future studies, comparing the two generations directly.

Secondly, college students' judgment of police officers' processes in making decisions and exercising their power determined their trust in the police. The procedural justice modal proved to be significant. Factors such as police **neutrality**, police **dignity and respect** toward youths, and youths' perceived chances to **voice**

their opinion positively, affected their trust in the police. The more these elements are perceived, the more trust levels increase.

Thirdly, rather than the respondent's **college seniority**, other various demographic factors did not influence trust in police officers. Being a college student significantly shaped their trust in the police; seniority in college decreased confidence in the police. Senior students have less trust in the authority compared to first-year students, sophomores, and juniors. In short, police are encouraged to interact with these youths in procedurally fair manners.

As long as one of the elements of procedural justice is utilized, the public is likely to trust and cooperate with the officers leading to the achievement of legitimacy (Mazerolle et al., 2013). As a result, police are likely to perform their prominent role in ensuring safety to both the police and citizens by increasing trust between police and the public (Mullinix & Norris, 2019).

5.2. Limitation and implications for future research

It is essential to address some of its methodological shortcomings. Given the convenient nature of the sample, results cannot be generalized to the whole population of youths since the present study was designed as correlational research using a convenient sampling method of college students. More research studies are needed before firm conclusions can be drawn. Moreover, a random sample of the general population in the whole nation should be surveyed. The measurement of police-citizen encounters did not grab the true nature of the interaction since there was no way to interpret how satisfied the respondents were during the contact. Furthermore, it is essential that more specific instruments about the nature of their contact be included, whether it is a police-initiated or citizen-initiated contact.

Future research should focus on the general population and youths who are not college students. In addition, more in-depth research studies supplemented by interviews and focused group discussions should be conducted on senior college

students. Furthermore, future research shall specify the nature of police encounters into different categories: whether it is a citizen-initiated or police-initiated encounter; the experience with police shall be divided to determine whether the encounter is considered positive or neutral, or negative.

5.3. Policy implications

The questionnaire results indicated that the respondents have a positive perception of the police. In addition, trust and police legitimacy depended on procedurally just policing. The results from this study generated significant policy implications. To promote trust and police legitimacy from college students, it is essential that policymakers focus on instruments that promote procedural justice. The utilization of procedural fairness can foster trust and confidence in police officers during personal contact and vicarious experience over a period of time (Murphy et al., 2013). The police should make an effort to create positive encounters since negative encounters with police attach more weight when youths form their perception of police officers (Flexon et al., 2009).

Using the quantitative method, the author involved a large sample of college students in the study. Despite some limitations, this study revealed a dynamic population's perception, who will be the nation's future workers and leaders; the study contributes significantly to remedy the lack of research on police trust and legitimacy in Cambodia. This study is likely to serve as the first evident-based for strengthening the relationship between youths – college students - and police in a modern and complex society that requires more sophisticated police-citizen interaction.

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APPENDIX I

| Descriptive Statistic (N=549) | | | | |
|-----------------------------------|------|------|-----|-----|
| VARIABLES | Mean | S.D | Min | Max |
| Perceive police to be trustworthy | .76 | .428 | 0 | 1 |
| Neutrality | | | | |
| N1 | 3.24 | .967 | 1 | 5 |
| N2 | 3.38 | .932 | 1 | 5 |
| N3 | 3.38 | .915 | 1 | 5 |
| N4 | 3.15 | .970 | 1 | 5 |
| N5 | 2.83 | .980 | 1 | 5 |
| Voice | | | | |
| V1 | 3.43 | .910 | 1 | 5 |
| V2 | 3.59 | .796 | 1 | 5 |
| V3 | 3.74 | .755 | 1 | 5 |
| V4 | 3.66 | .735 | 1 | 5 |
| V5 | 3.56 | .803 | 1 | 5 |
| Trustworthy Motives | | | | |
| T1 | 3.01 | .927 | 1 | 5 |
| T2 | 3.05 | .908 | 1 | 5 |
| T3 | 3.48 | .891 | 1 | 5 |
| T4 | 3.52 | .798 | 1 | 5 |
| T5 | 3.21 | .874 | 1 | 5 |
| Respect and Dignity | | | | |
| R1 | 3.31 | .905 | 1 | 5 |
| R2 | 3.42 | .843 | 1 | 5 |
| R3 | 3.27 | .897 | 1 | 5 |
| R4 | 2.96 | .923 | 1 | 5 |
| R5 | 3.39 | .816 | 1 | 5 |

Appendix 2. **Questionnaire**

Topic: Assessing the factors contributing to public trust in police through the perception of the younger generation of Cambodia.

Dear valued students, as a police officer and a graduate student at Meiji University in Japan, I have researched students' attitudes toward the police in our country. Please spare 10 minutes of your time answering the questions. The data received will be used solely for academic purposes. Your answers will be anonymous and confidential.

I strongly hope to receive your cooperation in answering the questions in order to support the government's effort in building such a good relationship between the public and police that it results in public collaboration contributing to effective implementation of community policing in terms of crime prevention in our nation.

I. Demographic Background:

1. Gender:
 - a. Male
 - b. Female

2. Age:
 - a. 18 – 22
 - b. 23 – 27

 - c. 28 – 32

3. Seniority
 - a. Freshman

b. Sophomore

c. Junior

d. Senior

4. Employment:

a. Full-time

b. Part-time

c. Unemployed

5. Field of study:

a. Language

b. Business-related

c. IT

d. Others

6. Have you ever had personal contact with police? (Asked police officers for help, being stopped by police officers, go to the police station, being asked by a police officer ...)

a. Yes

b. No

7. Have you ever been a victim of a crime? (For example: being robbed, your belongings were stolen, being hit, your house was broken in ...)

a. Yes

b. No

8. To what extent do you view police to be trustworthy?

a. Not trustworthy at all

- b. Not quite trustworthy
 c. Quite trustworthy
 d. Highly trustworthy

II. **Neutrality:** To what extent do you agree with each statement? Please select the answer that best describes your opinion.

| Statements | | 1. Strongly disagree | 2. Disagree | 3. Neutral | 4. Agree | 5. Strongly agree |
|------------|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 9 | Police treat all citizens equally in general. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10 | Police treat people with respect to their rights. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11 | Police accurately understand and apply the law. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12 | Police make decisions about how to handle problems in fair ways. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13 | Police in my country enforce the law fairly. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

III. **Dignity and respect:** To what extent do you agree with each statement? Please select the answer that best describes your opinion.

| Statements | | 1. Strongly disagree | 2. Disagree | 3. Neutral | 4. Agree | 5. Strongly agree |
|------------|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 14 | Police are polite when dealing with people. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 15 | Police are helpful when dealing with people. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16 | Police treat people with respect. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 17 | The police officers with whom I had contact the last time were rude. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 18 | Police would treat you with respect if you contact them for any reason. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

IV. **Trustworthy motives:** To what extent do you agree with each statement? Please select the answer that best describes your opinion.

| Statements | | 1. Strongly disagree | 2. Disagree | 3. Neutral | 4. Agree | 5. Strongly agree |
|------------|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 19 | Police are usually honest. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 20 | Police can be trusted to make decisions that are right for you. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 21 | Police make decisions based | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| | | | | | | |
|----|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | on facts, not their personal opinions. | | | | | |
| 22 | Police clearly explain the reasons for their actions to people they deal with. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 23 | Police show concern when people ask them questions. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

V. **Voice:** To what extent do you agree with each statement? Please select the answer that best describes your opinion.

| Statements | | 1. Strongly disagree | 2. Disagree | 3. Neutral | 4. Agree | 5. Strongly agree |
|------------|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 24 | Police give people opportunities to express their opinion. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 25 | Police work with citizens together in solving problems. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 26 | During a conflict, all sides have a fair chance to present views. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 27 | Police give people opportunities to | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| | | | | | | |
|----|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | explain their situations. | | | | | |
| 28 | Police listen to people before they make decisions. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Thank you so much for sparing your time from your tight schedule to answer the questions. Your comments are appreciated.

Appendix 3

Overview of Cambodian Police Institution

Even though 16th May 1945 was officially designated as the birthday of the Cambodian police force¹⁹, it was believed to date back to the 1800s. Because the official police institution was thought to be established during the French colonization (Broadhurst et al., 2015), the police system in Cambodia was influenced by that of the French with the centralized system under the Ministry of Interior. The national police force is under direct supervision from the General Commissariat of National Police. The General Commissariat of National Police is responsible for administering the entire police institutions nationwide, hierarchically including the national level and sub-national ones, for instance, provincial police commissariats, district police inspectors, commune police posts, and the border police units²⁰. The structure is different from the decentralized police force in the developed countries, U.S and Canada. This suggests that views of police civility and trust should vary across nations at least between the countries with centralized police institutions versus decentralized ones (Lambert et al., 2010).

Historically, the police institutions in the kingdom had been tainted with a negative public image in the past regimes. According to Broadhurst et al. (2015), the underlying purpose of forming a formal police force was to secure tax collection and public order in the nation during the French protectorate. In a sense, the police were not associated with positive denotation with the public; thus, this resulted in difficulty recruiting new officers, which usually relied on an involuntary process. According to the same author and his colleagues, even after gaining independence

¹⁹ Royal Decree No. 0806/342, 'The determination of the birth of Cambodian National Police' 05 August 2006.

²⁰ Sub-decree No.109, 'The establishment and function of the Ministry of Interior', 19 August 2015 and Sub-decree No.239, 'The Amendment of Article 9, 10, 42 and 45 of Sub-decree No.109', 28 November 2016.

from France until the beginning of the civil war, the public considered the police force more as a tool of the regime to suppress both political dissidents and its citizens along with a high level of corruption rather than as public servants. The country plunged into the worst of the human history of genocide and was followed by the prolonged period of civil wars, which was officially ended in 1991; however, less hostile infighting continued till 1997, resulting in a country with a crumpled economy and traumatized population (Dobbins et al., 2013). After the 1993 UNTAC-supported election, a large number of former soldiers were mobilized to join the police force, but those former soldier police officers were poorly disciplined and lacked training; they usually caused problems and walked free with impunity (Broadhurst & Bouhours, 2009). Police were alleged with widespread corruption, abuse, and illegal activities (Cox & Okserei, 2012). The public resorted to deference and compliance to the authority out of fear to survive such a period (Dobbins et al., 2013). Cambodian people relied mainly on the traditional practice of solving conflicts and securing the safety of their neighborhood through kinship and mutual assistance from neighbors; moreover, only for severe criminal cases did they require police intervention since police were thought to be slow and demanded additional fees – petrol money – before taking action (Broadhurst & Bouhours, 2009). As a result, police were not able to gain voluntary cooperation.

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G.S. Format 2

ABSTRACT

Analysis of Obstacles in Implementing Accrual Accounting in the Government Sector of Sri Lanka

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Although reform steps have been adapted for more than ten years and the accrual accounting formats have been introduced, the transition to the accrual accounting system has not happened in Sri Lanka. This study aims to assess significant barriers that hinder the accrual accounting transition process and find remedial actions to improve the process in Sri Lanka. The study used a mixed methodology to answer the two research questions. First, a survey is conducted on public servants currently engaged in accrual accounting. Then used a comparative analysis based on the Republic of the Philippines with Sri Lanka. The significance of barrier factors was analyzed and described using SPSS based on mean and paired t-test results. The remedial actions were generated based on the first research question results and the comparative study results on institutional framework and procedural gaps. The findings revealed that lack of training and development of accounting staff, lack of expert knowledge and guidance, and difficulty identifying and valuing assets have significantly hindered the reform. The study confirmed Luder's theory that the readiness towards an innovating accounting system had not been formed in Sri Lanka due to institutional drawbacks, mainly due to the education and training of accounting staff, and has had an unfavorable impact on the reform. Improved recruitment and training programs and a solid collaboration between critical parties for core reform procedures are suggested as remedies to improve the transitional process.

**Analysis of Obstacles in Implementing Accrual Accounting in The
Government Sector of
Sri Lanka**

by

HERATH MUDIYANSELAGE NIRUKSHIKA CHARITHANI HERATH

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LIST OF ABBREVIATIONS

| | |
|--------|---|
| AASC | Auditing and Assurance Standards Council |
| ACCA | Association of Certified Chartered Accountants |
| ADB | Asian Development Bank |
| AFR | Annual Financial Reporting |
| AFSs | Annual Financial Statements |
| BOA | Board of Accountancy |
| CIMA | Chartered Institute of Management Accountants |
| CIPFA | Chartered Institute of Public Finance and Accountancy |
| COA | Commission of Audit |
| CPA | Certified Public Accountant |
| CPD | Continuous Professional Development |
| DSA | Department of State Accounts |
| FRSC | Financial Reporting Standards Council |
| FSs | Financial Statements |
| GAAP | Generally Accepted Accounting Principles |
| GDP | Gross Domestic Product |
| ICASL | Institute of Chartered Accountants Sri Lanka |
| IFAC | International Federation of Accountants |
| IMF | International Monetary Fund |
| IT | Information Technology |
| IPFDA | Institute of Public Finance and Development Accountancy |
| IPSAB | International Public Sector Accounting Board |
| IPSAS | Internal Public Sector Accounting Standards |
| ISA | International Standards of Auditing |
| LGUs | Local Government Units |
| MOFSL | Ministry of Finance Sri Lanka |
| NGA | National Government Agencies |
| NPFM | New Public Financial Management |
| NPM | New Public Management |
| OECD | Organization of Economic Cooperation and Development |
| PAG | Philippines Application Guideline |
| PFM | Public Financial Management |
| PPB | Performance and Programme based Budgeting |
| PPP | Public-Private Partnership |
| PPSAS | Philippines Public Sector Accounting Standards |
| PRC | Professional Regulatory Commission |
| PSAcSB | Public Sector Accounting Standards Board |
| PWC | Price Waterhouse Coopers |
| SLPSAS | Sri Lankan Public Sector Accounting Standards |
| SPSS | Statistical Package for Social Sciences |
| SSAP | Statement of Standard Accounting Policies |
| UN | United Nations |

Chapter 1

INTRODUCTION

The Government of Sri Lanka has been preparing the Annual Financial Statements (AFSs) according to the cash basis IPSAS¹ since 2002. The Department of State Accounts (DSA) of the Ministry of Finance Sri Lanka (MOFSL) made the first step towards presenting the AFSs on an accrual accounting basis in 2005 (2007, p. 09). The adaptation of accrual accounting basis has been promoted and disseminated in Sri Lanka by international organizations such as ADB, World Bank, UN, and IMF (Adhikari et al., 2013). Afterward, the different stakeholders have taken several reform steps to adapt the accrual accounting system².

The AFSs generated in consolidated from 180 central governmental entities. Previously the Annual Appropriation Account was prepared based on a cash basis as the “Budgetary Outturn Report,” to be presented to the parliament according to the Financial Regulations (1992). Then lately, according to section 03 of the Fiscal Responsibility Act No.39 of 2003, AFSs needed to reflect financial results and fiscal position (MOFSL, 2012). Furthermore, with the new audit law of National Audit Act No.16 of 2018, AFSs are required to prepare with revenue, expenditure, assets, and liabilities. Therefore, the MOFSL instructed to prepare and present AFSs based on accrual accounting formats; a Statement of Fiscal Performance and Statement of Financial Position and a Cash Flow Statement apart from the Annual Appropriation Account to accommodate statutory obligations (*SAD-245-2015S*, 2015; *National Audit Act No.19 of 2018*).

Currently, MOFSL prepared AFSs based on the modified cash basis. Accordingly, two bases were adapted; cash basis for revenue and expenditure recognition and historical cost-accrual basis for assets and liability recognition

¹ International Public Sector Accounting Standards (IPSAS) published by the International Federations of Accountants (IFAC) based on International Financial Reporting Standards (IFRS). There are forty two accrual-based standards and one cash-based standard (International Public Sector Accounting Standards Board , 2020)

² See Chapter 2, Table 2.2 for more details.

(MOFSL, 2020). Although stakeholders adapted reform steps for ten years and introduced the formats, the transition to the accrual accounting system has not happened in Sri Lanka. The Auditor-General has expressed a qualified audit opinion for not converting the modified cash basis in the transition to an accrual basis (National Audit Office, 2020). On the other hand, other Asian developing countries such as Malaysia, the Philippines, and Indonesia, which started the reform in the same period, have adapted accrual basis in AFSs³.

The objectives of this study are: (1) to examine significant factors (implementation barriers) hindering the transitional process to a standards-based accrual accounting system in Sri Lanka and (2) to provide remedies to overcome in improving the process. In achieving the objectives, this study sought answers to the research questions below.

1. What are the significant barrier factors which impede the accrual accounting transitional process in Sri Lanka?
2. How can Sri Lanka overcome such barrier factors in improving the current transitional process?

This study examined thirteen different barriers based on “Ouda’s basic requirement model” in assessing a transition to answer the first research question. According to the Sri Lankan context, the study constructed barriers towards the transition. Based on Luder’s contingency theory (1992), it is assumed that the existing conditions of the governmental accounting and reporting system, its institutional framework, including human resource policies, and the legal system could have an unfavorable impact on creating a successful change towards accrual accounting reform in Sri Lanka.

First, a questionnaire survey was used based on accountants, auditors, budgetary and academic public officers to represent the central governmental entities, such as the Ministry of Finance, the National Audit Office, and different ministries and departments in Sri Lanka. Then statistical analysis was conducted

³ See Chapter 2, Table 2.1 for more details.

based on mean values and a paired sample t-test to identify significant barriers among the thirteen different barriers in Sri Lanka.

The second question focused on providing remedies in overcoming barriers in the transitional process. The author answered based on the first question results and a comparative study with an accrual accounting adopted country. Therefore, analyzed the Republic of the Philippines, which has moved to accrual accounting standards with similar economic, social, and accounting backgrounds. Both have started the reform in the same period. The private sector of both has recognized in accounting qualifications than others like Marshal island. Furthermore, the Philippines have progressed in accrual accounting than other developing countries.

As the first step, the institutional background: accounting law, education and training, code of conduct, and public sector accounting arrangements were analyzed. Then conducted a gap analysis of reform procedures for significant reform steps. The data for the comparative analysis was compiled using the Philippines AFSs, IFAC study, the Commission of Audit (COA) website publications, and Asia Public Accounting and Reporting Conference proceedings.

This study found that lack of training and development of accounting staff, lack of expert knowledge and guidance, and difficulty identifying and valuing assets have significantly hindered the reform. According to Luder`s theory, the study acknowledged the deficiencies in the institutional arrangement, mainly the education and training of accounting staff compared to the Philippines, which did not form favorable conditions for a readiness towards the change. It is also apprehended that barriers can differ at stages, as the fundamental factors political and legal systems do not show a significance in hindering the reform. The study suggested improved recruitment and training programs and a solid collaboration between critical parties for core reform steps as remedies for improving the process.

The remaining part of this paper is structured as follows: Chapter 2 provides an overview of the study. The literature on accrual accounting, including transitional challenges, is discussed in Chapter 3. Chapter 4 explains the analytical framework of the study. Chapter 5 provides the results of the analysis. Finally, the conclusion of the paper is discussed in Chapter 6.

Chapter 2

INTERNATIONAL MOVEMENT AND ACCRUAL ACCOUNTING IN SRI LANKA

This chapter discusses the historical and current background of the accrual accounting movement in the international context. Then, the discussion moves on to the history of the accrual process in Sri Lanka. Furthermore, the accrual accounting reform steps in Sri Lanka are also elaborated. Then an analysis of how far Sri Lanka has progressed towards the accrual accounting reform in the present annual financial statements is carried out.

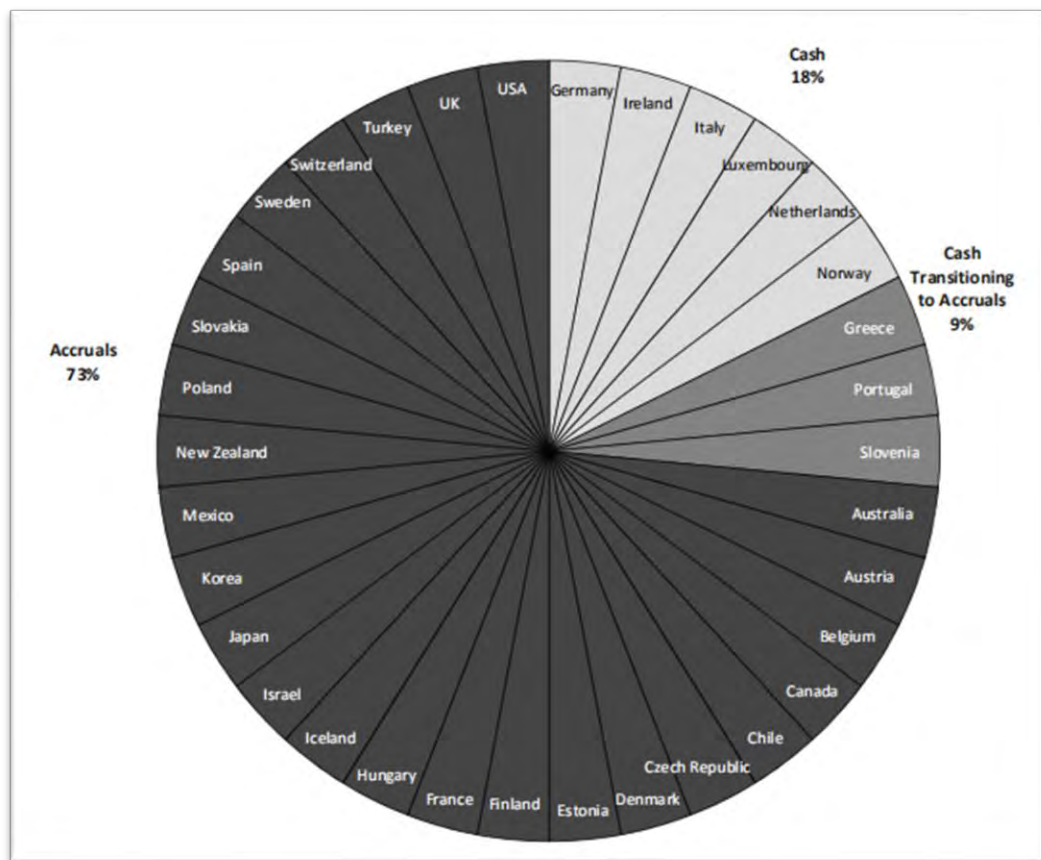
2.1 INTERNATIONAL MOVEMENT TOWARDS ACCRUAL ACCOUNTING

With the evolution of the “New Public Management” theory, many countries have adopted new policy reforms for the last three decades to improve their efficiency by using private sector management models (Hood, 1991). One of the discussed reforms in the OECD countries under NPM phenomena is accrual accounting systems (Guthrie, 1998; Rowan Johns and Pendlebury, 1996; Pollittand and Bouckaert, 2011). The introduction of an accrual-based system is perceived to facilitate greater transparency, accountability and improving the Government’s quality of decision-making (IFAC, n.d. ; IMF, 2016). Although the accrual-based Generally Accepted Accounting Principles (GAAP) accounting system is ruling the business sector, the scholars still argue whether the accrual accounting would benefit the government sector due to conceptual ambiguity, high costs, and implementation difficulties.

According to a recent survey conducted by the International Federation of Accountants Association (IFAC), among 150 countries, 25% have reported and published their financial statements based on accrual, and 45% are transitioning to accrual-based accounting (IFAC and CIPFA, 2018). Therefore, it is evident that many countries are either moved to accrual accounting or considering movement in the future. According to another survey by PWC, 73% of OECD countries have

successfully moved to accrual accounting by 2015, despite having several transitional barriers (PWC, 2015). This figure was 25% in 2003 in OECD countries (OECD and IFAC, 2017). These international organizations' surveys depict that developed countries have transferred to accrual-based accounting systems after having many challenges. Figure 2.1 refers to the OECD country's progress towards the accrual accounting reform.

Figure 2.1 Accounting Basis for Annual Financial Reports in OECD countries



Source: OECD and IFAC, 2017.

Accrual accounting transition has been promoted and disseminated in developing countries by international organizations such as the IMF, World Bank, ADB, and UN (Adhikari *et al.*, 2013; Yapa and Ukwatte, 2015). The countries that are in the transitioning use IPSAS or IPSAS based national standards for such

transition. In the Asian continent, developing countries like Indonesia, Malaysia, and the Philippines have transitioned to a modified or full basis of the accrual accounting concept in different levels of the governments in AFSs (ACCA, 2017). However, countries like Nepal and Bangladesh are still using cash-based accounting at present (ACCA, 2017; Wang and Miraj, 2018). Besides, international organizations and surveys expect 50% of developing countries to prepare their financial statements based on accrual accounting within the next five years (PWC, 2015). Table 2.1 indicates the accrual accounting transition in developing countries in Asia.

2.1 State of Adaptation of IPSAS Based Accrual Accounting in Asia

| Country | Adaptation status | Update | Proposed implementation date |
|------------------------|-------------------|--|------------------------------|
| Bangladesh | In progress | Bangladesh applies cash basis of accounting base on IPSAS. | Not announced. |
| Indonesia | Adapted | Indonesia has adopted IPSAS type standards, but central and local government accounts are currently prepared on modified cash and partial accrual basis. | 2015 |
| Malaysia | Adapted | Malaysia implemented accrual standards based on IPSAS in 2015 for the Federal Government and 2016 for the state government. | 2015/2016 |
| Nepal | Partial | Nepal has adopted cash-based IPSAS for its 16 government ministries, and no announcement has been made regarding accrual-basis IPSAS. | Not announced. |
| Sri Lanka | In progress | Sri Lanka has adapted 10 IPSAS standards. It announced in 2006 that 21 IPSAS standards would be adopted by 2012, but this has not been completed. | 2012, but not completed. |
| The Philippines | Adapted | 28 PPSAS was adapted and implemented in the year 2014 based on IPSAS. | 2016 |

Source: ACCA, 2017; IFAC, 2019 and COA, 2015. Compilation by the author.

2.2 HISTORICAL AND CURRENT ACCRUAL ACCOUNTING IN SRI LANKA

Sri Lanka has been a colony under the British until independence in 1948. There is evidence that colonial administrators employed professional accountants from England and Wales in the public sector, and many Sri Lankans pursued professional accounting courses in England. Therefore, the colonial legacy has significantly influenced the country's accountancy profession (Adhikari *et al.*, 2013). According to Balasingham 1975, Cash Accounting was introduced in this period (Adhikari *et al.*, 2013). Accrual accounting ideas began to initiate with the budgetary reforms in the post-independence period. Budgetary reforms were made without changes in accounting, and public financial reforms initiated discussions on accrual accounting in the late 1970s and the beginning of the 1980s (Adhikari *et al.*, 2013). There is evidence that parliamentary committees expressed their belief and recommended linking performance and program (PPB) based budgeting and accounting mechanisms with accrual accounting in Sri Lanka after study visits in foreign countries (Adhikari *et al.*, 2013).

In 1980, at a seminar of the inauguration of the Institute of Public Finance and Development Accountancy (IPFDA) as the keynote speaker, former auditor general, Mr. Wijayasuriya, expressed his skepticism over the use of cash accounting together with PPB, for it does not facilitate wastage and inefficiency analysis in the cash accounting (Adhikari *et al.*, 2013). The necessity of adopting accrual accounting was made public by him stating that "Accounting must be related to budget classification and budgeting and accounting functions are complementary elements of financial management and must be closely integrated" (Adhikari *et al.*, 2013). In the 1990s, he made professional arguments favoring accrual accounting, stating that the existing government financial control system cannot contribute to economic development. He called for redesigning of financial and accounting standards for indicating a fair view of resource utilization of the government sector. Another leading member of the IPFDA, Mr. Sivagananasuntharam, also argued using accrual accounting to indicate future generations' financial commitments based on assets and liabilities (Adhikari *et al.*, 2013).

Apart from these professional arguments and accounting studies' opportunities, there is evidence that public sector reforms and transition from cash to accrual accounting influenced by international organizations in Sri Lanka (Adhikari *et al.*, 2013; Yapa and Ukwatte 2015). The financial reforms and the transition from cash to accrual have been strongly influenced by global pressures and imposed by international organizations such as ADB, IMF, UN, and the World Bank (Yapa and Ukwatte, 2015). In 1995, ADB provided financial and technical support for the modernization of the computerized accounting system (Adhikari *et al.*, 2013). In 1996, one of the delegates from the IMF encouraged implementing accrual accounting because of the inadequacy of cash accounting inputs to decision-making. He recommended modified accrual accounting to provide accurate information on government expenditure costs for public expenditure management (Adhikari *et al.*, 2013).

Similarly, UN advisors supported the idea of modified accrual accounting, emphasizing implementing democratic requirements of transparency and accountability to the country'. In 2001, the Ministry of Finance had established a management training unit within the DSA to help administrators improve their accounting knowledge. Several local and international level training and degrees were offered for them as skill development programs (Adhikari *et al.*, 2013).

According to Adhikari *et al.* (2013), the ADB-assisted public expenditure management project in 2002 appeared to be the leading driving force behind the central Government's accounting change. In addition, ADB assisted many technical projects in improving public financial management, including the budget process, Internal auditing, streamlining legislation and regulations, Information Technology strategy, and computerized financial reporting system in Sri Lanka (Yapa and Ukwatte, 2015). In addition, ADB helped in conducting various training and awareness programs for senior government officials on accrual accounting.

The study findings of (Adhikari *et al.*, 2013) also have revealed that consultation of ADB had taken a significant role in implementing cash-based IPSAS formats in Sri Lanka. In addition, several consultants from international organizations such as the World Bank were involved in promoting the cash-based

IPSASs adaptation in participating in lectures and discussions held by DSA. It was evident in that study; lectures were organized to keep informed on the reform and formats used by implemented countries. Foreign consultants from international organizations were invited to deliver those lectures. Therefore, it was evident that the support of international organizations was a crucial factor in providing technical consultation in cash-based IPSAS format implementation. Furthermore, financial support is also mentioned as necessary in cash-based IPSAS implementation.

The governmental accounting system's main regulatory framework is governed by the Constitution of Sri Lanka, 1978, Financial Regulatory Manual, 1992 approved by the Minister of Finance, and Section 03 of Fiscal Management Responsibility Act No 39 of 2003. According to the Financial Regulations of 1992, ministries, departments, and other non-revenue earning statutory bodies must record and prepare Budgetary Outturn Report as in the "Annual Appropriation Account," which is to be prepared based on a cash basis for parliamentary presentation (MOFSL, 1992). According to the Fiscal Responsibility Act No.03 of 2003, financial statements should be prepared to reflect financial results and fiscal position (MOFSL, 2012). Furthermore, with the new audit law of National Audit Act No.16 of 2018, AFSs must be prepared with revenue, expenditure, assets, and liabilities.

Therefore since 2015, the Ministry of finance instructed other central government entities to prepare financial performance statements, a statement of the financial position statement, and a cash flow statement, including an Appropriation Account, to accommodate statutory obligations. In addition, revenue-earning legislative bodies and public enterprises must report on an accrual basis complied with Sri Lanka Accounting Standards as per the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

For furthermore development of accrual accounting in the central Government, the Association of Public Financial Accountants of Sri Lanka (APFASL) was established in 2012. It is the public wing of ICASL. The organization's primary purpose was to enhance public sector accountants' and auditors' professional skills and expertise to improve general financial practices in

Sri Lanka (ICASL, 2012a). In 2015, central government entities started preparing the financial performance, statement of the financial position statement, and a cash flow statement, including the appropriation account. In addition, a certain amount of fixed assets and long-term liabilities are accounted for, and annual reports are prepared based on a modified cash basis (MOFSL, 2020).

Table 2.2 indicates the policy steps taken by several stakeholders towards implementing accrual-based financial statements at the central governmental level in chronological order. According to the documentary review conducted below, from 2002 to 2019, different stakeholders such as the Ministry of Finance, the National Audit Office, and the ICASL have taken steps towards implementing accounting.

Table 2.2 Policy Reforms Towards Accrual Accounting in Sri Lanka

| Year | Reform Procedures | Organization | Source Document |
|-------------|---|---|---|
| 2002 | Preparing annual financial accounts by cash basis IPSAS. | Department of State Accounts -MOFSL | (MOFSL, 2007) |
| 2005 | Additional disclosures were made in the accounts as a first step towards presenting accounts on an accrual basis. | Department of State Accounts -MOFSL | (MOFSL, 2007) |
| 2009 | Establishment of Public Sector Accounting Standards Committee & publication of Sri Lanka Public Sector Accounting Standards based on IPSAS. | ICASL Sri Lanka, MOFSL, and National Audit Office | CA Sri Lanka web site SLPSAS Document (ICASL, 2009) |
| 2009 | Published four Sri Lankan Public Sector Accounting Standards based on IPSASs. | ICASL | (ICASL, 2009) |
| 2012 | Published six Sri Lankan Public Sector Accounting Standards based on IPSASs. | ICASL | (ICASL, 2012b) |

| Year | Reform Procedures | Organization | Source Document |
|------|---|-------------------------------------|---|
| 2012 | Establishment of public sector wing of ICASL, APFASL to build a capacity in the public sector staff and improve public sector reporting. It is affiliated with major global accounting bodies such as IFAC and CIPFA. | ICASL | CA Sri Lanka web site-Prospectus and articles of association.(ICASL, 2012a) |
| 2013 | Instructed ministries and departments to prepare annual accounts based on an accrual basis as a pilot project and started asset valuation. | Department of State Accounts -MOFSL | SA/AS/AA circular of 2013 (SAD-233, 2013) |
| 2015 | Introduction of accrual-based financial statements in annual appropriation accounts for 2015 (mandated by the circular). | Department of State Accounts -MOFSL | SAD-245-2015 Circular(SAD-245-2015S, 2015) |
| 2015 | Initiation of conducting best annual reports and accounts awards competition by APFASL to enhance transparency and accountability of public sector accounts and promote public accounting standards and accrual accounting. | ICASL | Budget Circular BD/HR/09/2015-11(Budget department, 2015) |
| 2015 | Governmental computerized accounting system improved to enable the recording of asset data in AFSs. | Department of State Accounts -MOFSL | SAD-245-2015 Circular(SAD-245-2015S, 2015) |

| Year | Reform Procedures | Organization | Source Document |
|------|---|----------------------------------|--|
| 2017 | Establishment of Comptroller General Office for non-financial assets management. | Parliament of Sri Lanka | Budget Proposal No.368 of 2017(Comptroller Generals Office, 2017) |
| 2018 | All auditee entities' requirements should maintain proper books and records of all income, expenditure, assets, and liabilities to enable annual and periodic financial statements to needs to prepare. | Parliament of Sri Lanka | Clause 16, National Audit Act No.19 of 2018. (<i>National Audit Act, No.19 of 2018, 2018</i>) |
| 2020 | Non-financial Assets are required to be completed by 2022. | State Accounts Department-MOF SL | State accounts department guideline (<i>No.06/2020 Based on Public Finance Circular 02/2020, 2020</i>) |

Source: Compilation by the author.

Table 2.3 shows the basis of adaptation in the preparation of accrual-based financial statements in the annual financial statements of Sri Lanka. Cash base for Revenue and Expenditure recognition and historical cost-based modified cash basis for assets and liability recognition. Therefore, two bases have used to prepare the financial statements cash base for Statement of Financial Performance and historical cost basis for Statement of Financial Position, indicating that the convergence to the accrual accounting basis has not been achieved in Sri Lanka.

Table 2.3 Basis of Adaptation in the Annual Financial Statements 2019 in Sri Lanka

| Statements | Cash Basis | Modified Cash Basis | Modified Accrual | Accrual Basis |
|---|------------|---------------------|------------------|---------------|
| Statement of Financial Position | | ✓ | | |
| Statement of Financial Performance | ✓ | | | |
| Cash Flow Statement | ✓ | | | |
| Statement of Changes in Net Assets/Equity | ✓ | | | |
| Management Comparison of Budget and Actual Statement or Budget Column in the FSs. | ✓ | | | |
| Notes Comprising Summary of Significant Accounting Policies | ✓ | ✓ | | |

Source: Compilation by the author based on AFSs of SL- 2019.

Table 2.4 indicates the type of accounts that have already been included and not included in the 2019 financial statements. For example, ledger accounts such as tax receivable and accrued payments, depreciation, heritage assets, social benefits are not taken to annual accounts per the accrual accounting concept.

Table 2.4 Reporting Practices of Ledger Accounts in Annual Financial Statements 2019 in Sri Lanka

| Type of Account | Balance Sheet | Disclosure | Not Reported |
|---------------------------------------|---------------|------------|--------------|
| Tax Receivable | | | ✓ |
| Accrued Payments | | | ✓ |
| Natural Resources | | | ✓ |
| Land Buildings | ✓ | | |
| Infrastructure | ✓ | | |
| Plant & Equipment | ✓ | | |
| Heritage Assets | | | ✓ |
| Defense Assets | ✓ | | |
| Social Benefits and Pension Liability | | | ✓ |
| Depreciation | | | ✓ |

Source: Compilation by the author based on AFSs SL-2019.

2.3 SUMMARY

In adapting the IPSAS accrual basis concept, OECD countries have progressed the reform than developing member countries. However, the IFAC and other international organizations expect to develop a move forward from cash basis to accrual basis. Sri Lanka was taken the first initiation in 2002 to convergence to accrual basis. Adaptation of Accrual accounting has been promoted and disseminated in Sri Lanka by international organizations such as ADB, UN, World Bank, and the IMF. Further, several reforms step taken by different stakeholders in the country, such as developing SLPSAS in 2009. Although Sri Lanka has taken the steps forward on accrual adaptation for more than ten years, still using the modified basis for financial statement preparation. Compared with other Asian developing countries like Malaysia, the Philippines, and Indonesia, which started the reform in the same period, they have moved to accrual accounting rather a fast pace in implementing accrual accounting-based financial statements.

Chapter 3

LITERATURE REVIEW

This chapter presents an overview of the accrual accounting concept, benefits, and challenges from different perspectives. The chapter begins in section 3.1, which introduces the definition and the theory of governmental accounting. Next, section 3.2 gives a general overview of accrual accounting benefits. Then Section 3.3 elaborate on the transitional challenges of accrual accounting in several aspects. First, it elaborates on conceptual barriers of accrual concept in the government sector, provides empirical evidence of barriers in Sri Lanka, and discusses different models of analysis on accrual accounting barriers based on other countries.

3.1 THE ACCRUAL ACCOUNTING CONCEPT

Until the 16th century, “cash accounting” was the most robust accounting principle in private and public sectors (ADB, 2003). While government accounting remained on a cash basis, the private sector developed generally accepted accounting principles (GAAP)⁴ Based on accrual accounting principles (ADB, 2003). Since then, accrual accounting is one of the fundamentals of financial reporting, mainly adapted in private-sector financial reporting.

The definition of accruals concepts as per SSAP 2,⁵ “the disclosure of accounting policies,” is as follows,

⁴ Generally Accepted Accounting Principles have commonly followed accounting rules and standards for financial reporting. Specially used in Auditing and Security Exchange Commission requirements globally (Rowan Jones, 1998).

⁵ SSAP 2 issued by the Accounting Standards Committee in 1971, and it defines four fundamental accounting principles, namely; the going concern concept, the accrual concept, the consistency concept, and the prudence concept ("Accounting Standards Committee-UK," 1971)

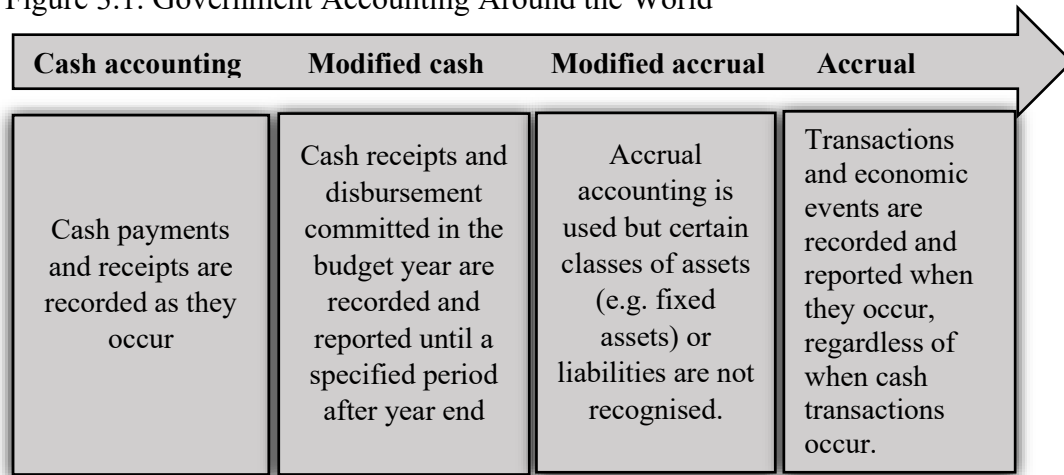
“Revenue and Costs are recognized when earned or incurred and not when exchanged in cash, subject to the exercise of prudence⁶. Match revenues with costs within the same period where the relationship is reasonably established”.

Accrual accounting transactions are recognized when the economic event occurs and not at the cash transaction time. For example, revenue is recognized when invoices are issued, costs incurred when services are received, or consumed resources. Therefore, the recognition occurs one step earlier than cash accounting. Apart from that, short-term financial assets such as cash information, long-term assets, and liabilities are taken into the accounting ledger. When implementing accrual accounting, apart from cash flow statements, the accountants prepare performance statements and financial position statements in annual accounts.

According to Chan (2009), opinion leaders have successfully elevated this “business accounting model for government” approach internationally. As a result, International Public Sector Accounting Standards (IPSAS) were developed based on IFRSs business patterned accounting. International Federation of Accountants (IFAC) began issuing IPSAS in the year 2000. They have issued one cash-based IPSAS and 40 accrual-based IPSAS’s up to now (IPSASB, 2020). It is considered that these IPSAS has steadily gained implementation momentum in the public sector during the last ten years (Wang and Miraj, 2018). However, the degree of adaptation is different in each country. Therefore, in the governmental sector accrual basis of transitional progress has been categorized into four parts, from the least to the most sophisticated side of the spectrum: cash accounting, modified cash accounting, modified accrual accounting, accrual accounting, as follows.

⁶ Prudence concept is another accounting principle defined as gains not recognized until either they realized, or realization is reasonably sure. Provide all known losses even when the amount is uncertain.

Figure 3.1. Government Accounting Around the World



Source: PWC, 2013.

3.2 TRANSITIONAL BENEFITS OF ACCRUAL ACCOUNTING

New Public Finance Management (NPFM) evolved with NPM reforms in the later 1990s, where accounting acts as a tool to measure public sector performance. The NPFM⁷ Changes consist of budgets focusing on markets, performance management systems, and auditing and financial reporting reforms. In addition, accrual accounting was introduced into the public sector to measure general financial performance with the NPFM during the initial stages of the NPM movement (OECD and IFAC, 2017).

According to James L. Chan, over the past 25 years, governmental accounting has been innovated notably conceptually and institutionally (2003). As a result, governmental accounting and financial reporting have shifted from bureaucratic control to accountability reporting. He emphasized that while the importance of cash dominates in governmental decision-making, contemporary standards aim at tracking down the long-term consequences of decisions and actions. Therefore, it makes governmental officials held accountable for their stewardship

⁷ NPFM is New Public Financial Management introduced as a part of NPM reforms. It includes shifting from an input-based system to an output-based system, changing from a cash-based to an accrual-based system, and creating different appropriations for different government activities. Originated from New Zealand (Ouda, 2003).

of both financial and capital assets. Rowan Johns and Maurice Pendlebury have highlighted broad benefits of accrual accounting as follows (1996),

1. Accrual accounting provides measures of the economic goods and services consumed, transferred, and earned; cash accounting provides cash inflows and outflows.
2. Accrual accounting provides an income figure. When there are no price changes, the income yielded in historic cost accrual accounting is an acceptable performance measure. (When prices do change, however, the income statement becomes less acceptable)
3. It yields a measure of capital. It shows the values of existing capital assets and revenue generated from them.

Many international organizations such as the International Monetary Fund (IMF), World Bank, International Federation of Accountants (IFAC), and International Public Sector Accounting Board (IPSAB) consistently promote accrual reform to enhance uniformity of financial reporting among all countries. The expectation is that every country will follow similar formats and public sector accounting standards in annual financial statement preparation uniformly by using IPSAS. IPSAS regulates financial accounting processes of government sectors, excluding profit-making public firms.

IMF has extensively guided on accrual accounting benefits. It measures assets and liability relevant to indicate a country's fiscal position and financial sustainability, which does not provide cash accounting (2016). Net assets express the broadest intergenerational equity concept (Cortès, 2003). If the net assets are positive, assets are more than liabilities, and negative means assets are less than liabilities. Therefore, it says whether present public goods and services are provided based on the current taxation level or not and how much burden is carried forward for the next generations. Therefore, through accrual information, it is possible to assess solvency and the Government's future flow. According to Andreas Bergmann, the Switzerland government uses accrual basis information in decision-making to focus on self-financing of investments to control borrowings, fiscal policy targets of debt reduction, and maintenance of capital (Bergmann, 2012).

Apart from this, public liability accrual accounting provides information on pension liability and the future obligation to pay civil servants pensions (Babatunde and Fofie, 2016). These obligations are typically underfunded, and this information usually can be disclosed in detail in contingent liability or commitments, unlike in cash accounting.

Accrual accounting requires the preparation of a balance sheet; therefore, it involves identifying, measuring, and periodic reporting of assets and liabilities. Therefore, governments need a systematic approach for identification, keeping track of, and valuing, especially non-financial assets. According to IMF (2016), It encourages entities to develop systems such as asset registers and procedures for planning and managing assets and liabilities, improving public sector performance, promoting the general improvement of asset management, and awareness of holding and deploying assets. Similarly, reporting long-term government liabilities increases transparency, which helps in better financial planning to ensure governments can meet their liabilities as they fall due.

In general, public awareness increases because of information regarding the fiscal position, including capital assets and long-term liabilities through accrual accounting basis financial reports.

3.3 TRANSITIONAL CHALLENGES OF ACCRUAL ACCOUNTING

3.3.1 CONCEPTUAL CHALLENGES

However, many scholars still argue the conceptual relevance of accrual and accrual accounting benefits over its cost and implementation difficulties in the governmental sector.

Apart from that, public sector activities are scrutinized through the budget, appropriation, and reporting mechanisms. One argument against accrual is that many governments that follow accrual accounting do not uniformly apply accrual accounting to the budgeting mechanism (ADB, 2003). For example, budget and appropriations are cash-based and reporting on modified accrual or accrual basis. According to opponents, the traditional cash-based system is more compliant with

the budgetary plan, and the reports consider as usual financial statements in the governmental sector (Wynne, 2012).

Moreover, business accounting lacks the concepts and difficulty handling issues like accrual of taxation, recognition, and measurement of public property and government responsibilities on the balance sheet (Chan, 2009). Scholars have highlighted many difficulties in recognizing assets value in organizations; The main problem is that to record the capital, the organization must know what assets they owned and value them (Rowan Johns and Pendlebury, 1996). If there are no asset registers maintained that record values, then taking inventory of fixed assets and valuing them might be huge and expensive (Rowan Johns and Pendlebury, 1996). The difficulty in asset valuation is not limited to military and heritage assets. It is also challenging to measure economic value in infrastructure assets such as roads, bridge dams, and buildings.

Other problems highlighted (Rowan Johns and Pendlebury, 1996) are that it induces more subjectivity into the accounts within the boundaries of audit and standards. Nevertheless, it can be used to distort accounting information than for providing an accurate picture of accounts. Then, in historical accrual accounting in inflationary effects, the profit figure is merely becoming a figure that cannot compare with capital investment. Accrual accounting can also be manipulative. Without making payments or actual consumption to show the budget spending, managers can quickly create orders and receive an invoice to accrue payment in the account. The administrative costs involved with accrual accounting, such as IT system changes, staff training, and developing accounting policies, campaign costs, and management involvement costs, are very high compared to cash accounting. Moreover, compared with cash accounting, accrual adjustments demand a higher administrative and accounting cost. As we can see the benefits and costs associated with accrual implementation, developing countries have more difficulties implementing such reforms.

Some scholars have argued that the accrual accounting process lacks political support, and bureaucrats are reluctant because of the complexity of the process due to the traditional cash-based system and lack of qualified accountants

in the public sector. Further, they argue that implementation costs outweigh the benefits of accrual accounting due to issues yet to be resolved in the country. Finally, some have mentioned that accrual accounting is a mimic reform of international standards and failed because of law and regulations' enforcement of accounting standards.

3.3.2 TRANSITIONAL BARRIERS IN SRI LANKA

Many challenging empirical evidence barriers have been found in the accrual accounting convergence process in Sri Lanka (Adhikari *et al.*, 2013; Yapa and Ukwatte, 2015; Nagalinagm *et al.*, 2015; Dissanayake, 2017 and Nagendrakumar, 2019). The study of empirical findings of Sri Lanka and Nepal on the accrual accounting diffusion process has revealed some challenges of accrual accounting in Sri Lanka (Adhikari *et al.*, 2013). It has been found that many administrators were reluctant to accept the idea of accrual accounting at the central governmental level. It has revealed that ambiguity in asset identification and valuation, frequent changes in administration, and absence of political support have made accrual accounting adaptation challenging and resistant among administrators for the change in Sri Lanka (Adhikari *et al.*, 2013). Ambiguity over what kind of asset identification and valuation methods has also been highlighted as making administrators and accountants reluctant to implement accrual accounting changes. Moreover, they have revealed State Accounts Department (DSA) has not shown any interest in changing financial regulations to support accrual.

According to Adhikari *et al.* (2013), the accrual accounting reform was more a bureaucratic effort and lacked political support and leadership. Therefore, they argued it seems to be normative pressure from professional accountants and bureaucrats and financial support of the international organizations, which have led the politicians and Government to express their willingness to adapt to the change. A study conducted by Yapa and Ukwatte (2015) on 25 informants, including parliamentarians and senior public officers, has shown empirical evidence on the dysfunctional impact of globalization on public sector accounting standards as there are major structural issues yet to be solved. Furthermore, he argued there are

increasing doubts over whether the change to accrual accounting is worth the costs and additional risks involved. The main issue of evidence he identified was no proper procedure by law for the adaptation of IPSAS and revealed it was challenging to implement these reforms as the ancient traditional systems of financial regulations and treasury circulars. Further study revealed a handful of qualified chartered accountants working in the public sector because of low salaries and facilities. Furthermore, the paper revealed evidence of less demand for comprehensive financial reports from some ministries and departments by oversight bodies and complexity of recognitions and valuation of assets and liabilities. (Military/ heritage assets and PPP agreements and pension liability).

In a study by Dissanayake (2017), the difficulty of performing asset valuation, lack of computerized system, inadequate training, lack of leadership, and lack of detailed guidelines were identified as barriers to accrual accounting implementation.

According to other scholars, the accrual accounting reform in Sri Lanka is another mimic approach to international standards. They argue that it is impossible for a successful transitional accrual accounting as Sri Lankan Public Sector Accounting Standards (SLPSAS) is not enforced under accounting law (Nagalinagm *et al.*, 2015; Nagendrakumar, 2019). The ICASL is governed by the Accounting and Auditing Standards Act No.15 of 1995, and it has been authorized to regulate its accounting practices. Even though ICASL has the right to develop accounting standards for the government sector, ICASL cannot push the Government to enforce SLPSASs into law and make it mandatory.

Nagendrakumar (2019) argues that public entities have not accepted accrual accounting reform and failed because the law does not enforce the reform. Because the Government has not come up with the policy framework of the parliamentary Act or amendment to the existing law to support this reform, he argues that either Sri Lanka or the government treasury does not pressure such transition. Further, he mentioned there is a normative pressure for ICASL to establish SLPSAS. These scholars highlighted that tight enforcement practices for cash-based financial regulations in accounting and not having well-supported institutions for regulatory

dimensions are barriers to a successful transition in Sri Lanka (Nagalinagm *et al.*, 2015).

3.3.3 TRANSITIONAL BARRIERS BASED ON OTHER COUNTRIES

Many scholars and researchers have researched and examined factors and barriers which affect successful innovative accounting transitions (Luder, 1992; Christensen, 2001; Ouda, 2003). The original model for analyzing accounting change in the public sector was developed by Luder in his “Contingency Theory Model” in 1992 based on a study of United States, Canada, and several European countries in investigating external and internal factors that influence accounting change and factors that can be barriers (Luder, 1992; Upping and Oliver, 2011). In addition, he identifies contextual and behavioral variables potentially relevant in explaining government innovative accounting transitions (Luder, 1992; Upping and Oliver, 2011).

According to Luder’s model, he identified four modules as stimuli, structural variables of the social environment influence users’ attitudes, characteristics of the political-administrative system influences producers’ attitudes, and implementation barriers in creating the more informative system (Luder, 1992). In his model, stimuli define the driving force that generates the need for an accounting change of a government, such as fiscal stress, financial scandal, and financial crisis. He identifies four socio-economic variables: (1) income & education level, (2) political cultures such as degree of openness, (3) the level of participation in the governmental decision-making process by citizens, and (4) members of parliament in favor of the idea of the more informative form of public sector accounting (Luder, 1992).

Variables of political and administrative system characteristics refer to the staff training, political competition, and administrative culture, which influence producers of information such as politicians, managers, and accountants (Luder, 1992). Finally, according to Luder (1992), “Implementation barriers are the environmental conditions that hinder the implementation process, thus hindering creating a more informative accounting change which is principally desired”. In his

model, Luder (1992) identifies four implementation barriers: the legal system, staff qualification, size of the jurisdiction, and organizational characteristics.

According to Christensen (2001), the study of identifying the agents of change, promoting and facilitating the public sector accrual accounting change in the New South Wales Government has revealed a significant role of management consultants. His model has divided the model into four parts: (1) external stimuli for change, (2) promoters of change and producers of information, (3) users of information, and (4) implementation barriers hindering the accrual accounting change. He narrates, "Implementation barriers are features of the political or bureaucratic environment that act to increase the accounting change's implementation cost and time" (Christensen, 2001). Finally, he analyzed the lack of accounting skills in the public sector as an impediment to argue the need to improve the skills and training for accounting and finance officers.

In response to Luder's contingency theory, Ouda (2003; 2008) developed the model to detect the significance of factors (transitional barriers) that can prevent the transition to accrual accounting and analyzed factors using statistical methods. While Luder's model and Christensen explain "explanatory factors" of driving forces behind an innovative accounting change model, Ouda's model explains "implementation factors" that hinder the implementation process. According to him, recognizing the transitional obstacles in the early stages is essential as it considerably impacts the requirements and transition speed. Moreover, identifying transitional barriers provides a clear picture of both the volume of work and financial means necessary for successfully transition the adaptation process (Ouda, 2008). Therefore, Ouda has divided two parts between the model as practical transitional barriers and conceptual transitional barriers. So he identifies legal barriers, lack of accounting standards, bureaucratic management culture, specific accounting issues, political factors, communication barriers, accrual accounting principles, accrual accounting postulations, personnel characteristics, organizational characteristics, and financial resources as practical barriers and economic factors (inflation), traditional budget influence and lack of profit motive as conceptual barriers which impact negatively on accounting transition.

3.4 SUMMARY

The relevance of accrual accounting in governmental accounting is arguable. However, while accrual accounting improves transparency, accountability, and decision-making of entities, it is also more costly and challenging than the benefits of the implementation process. Evidence of Sri Lanka from the previous scholars has presented issues such as lack of political & bureaucratic support, resistance to change, difficulties in asset identification & valuation methods, strict cash-based financial regulatory system, and non-enforcement of accrual-based accounting standards challenges the accounting change. However, none of the studies has conducted a quantitative analysis in assessing significant barriers that impede the accrual accounting process in Sri Lanka and comparative analysis for remedial actions for progressive reform.

Chapter 4

RESEARCH METHODOLOGY

This chapter consists of three parts. The first part of the chapter, section 4.1, discusses the study's analytical framework, which elaborates on the problem statement, the objective of the study, and the research questions. The following section, 4.2, elaborates on the methodology of the first research question, which includes conceptual framework, variable definitions, sampling and data collection methods, and data analysis techniques. Then section 4.3 discusses the second research question's methodology, which compared Sri Lanka with the Philippines.

4.1 ANALYTICAL FRAMEWORK OF THE STUDY

Problem Statement

Moving towards accrual accounting in Sri Lanka initiated in 2002 with the adaptation of cash-based IPSAS (MOFSL,2007). The first step was making additional disclosures in the accrual accounting concept in 2005 (MOFSL, 2007). Then in 2009, ICASL led an accounting standards board that developed Sri Lankan Public Sector Accounting Standards (SLPSAS) based on IPSASs (ICASL, 2009; ICASL, 2012b).

The Government had earlier announced that at least 21 IPSAS compliant standards would be documented for implementation by the close of 2012, but the goal is yet to be achieved (Yapa and Ukwatte, 2015; ACCA, 2017). Nevertheless, during ten years since its inception, several reform steps were taken by the Government of Sri Lanka, as described in chapter 2, table 2.2 of the paper.

Scholars argue that accrual accounting basis adaptation in Sri Lanka is another failed reform and mimic adaptation of international standards (Nagendrakumar, 2019; Nagalinagm *et al.*, 2015), and the costs can outweigh benefits associated with the reform due to structural issues in the country (Adhikari *et al.*, 2013; Yapa and Ukwatte, 2015). Compared with other Asian developing countries like Malaysia, the Philippines, and Indonesia, which started the reform in

the same period, they have moved to accrual accounting rather a fast pace in implementing accrual accounting-based financial statements⁸. However, the convergence to the accrual basis of annual governmental financial reporting has not been made yet, although the Government has moved towards accrual accounting since 2005. The Auditor-General has expressed a qualified audit opinion for not converting the modified cash basis to an accrual basis process for more than ten years (National Audit Office, 2020).

Objectives of the Study

This study aims to analyze significant implementation barriers that hinder the accrual accounting transitional process in Sri Lanka and make reform recommendations to improve the convergence process of accrual accounting system adaptation in Sri Lanka. The policymakers in Sri Lanka need to identify significant barriers to recommend several reform steps to be adapted for a rapid accrual accounting transition in Sri Lanka.

Research Questions

1. What are the significant barrier factors which impede the accrual accounting transitional process in Sri Lanka?
2. How can Sri Lanka overcome such barrier factors in improving the current transitional process?

Research Methodology

This study examined thirteen barriers in accessing the first Research question. These barriers are considered as variables that hinder the accrual accounting transition in Sri Lanka. Thirteen barriers constructed based on Ouda's basic requirement model for successful accrual accounting transition for developed and developing countries. These thirteen barriers have been categorized into political,

⁸ Please refer to table 2.1 for the comparison of accrual accounting adaptation in other countries.

legal, specific accounting issues, human resources, conceptual factors to understand the institutional requirements.

According to Luders' contingency model (1992), political and administrative system variables such as political competition, organizational culture, and staff training influence the attitudes of producers of the information (accountants and managers). That study analyzed how training of accountants and recruiting qualified accountants for top financial positions have favorably impacted based on studies in the US and Canada. E.g., he has pointed out that in the US and Canada, many private accounting standards specialists working as public staff and possessing professional accounting credentials in higher positions have favorably impacted public financial management reforms. Therefore, he recognized that the favorable and unfavorable characteristics of the institutional framework of accounting and reporting resulted in a readiness to change and have positively impacted implementing more innovative accounting systems.

Therefore this study assumed the existing conditions of the governmental accounting and reporting system, its institutional framework, and policy characteristics such as human resource policies including education and training of staff and legal system in Sri Lanka could have an unfavorable impact to create a successful change in the accrual accounting reform.

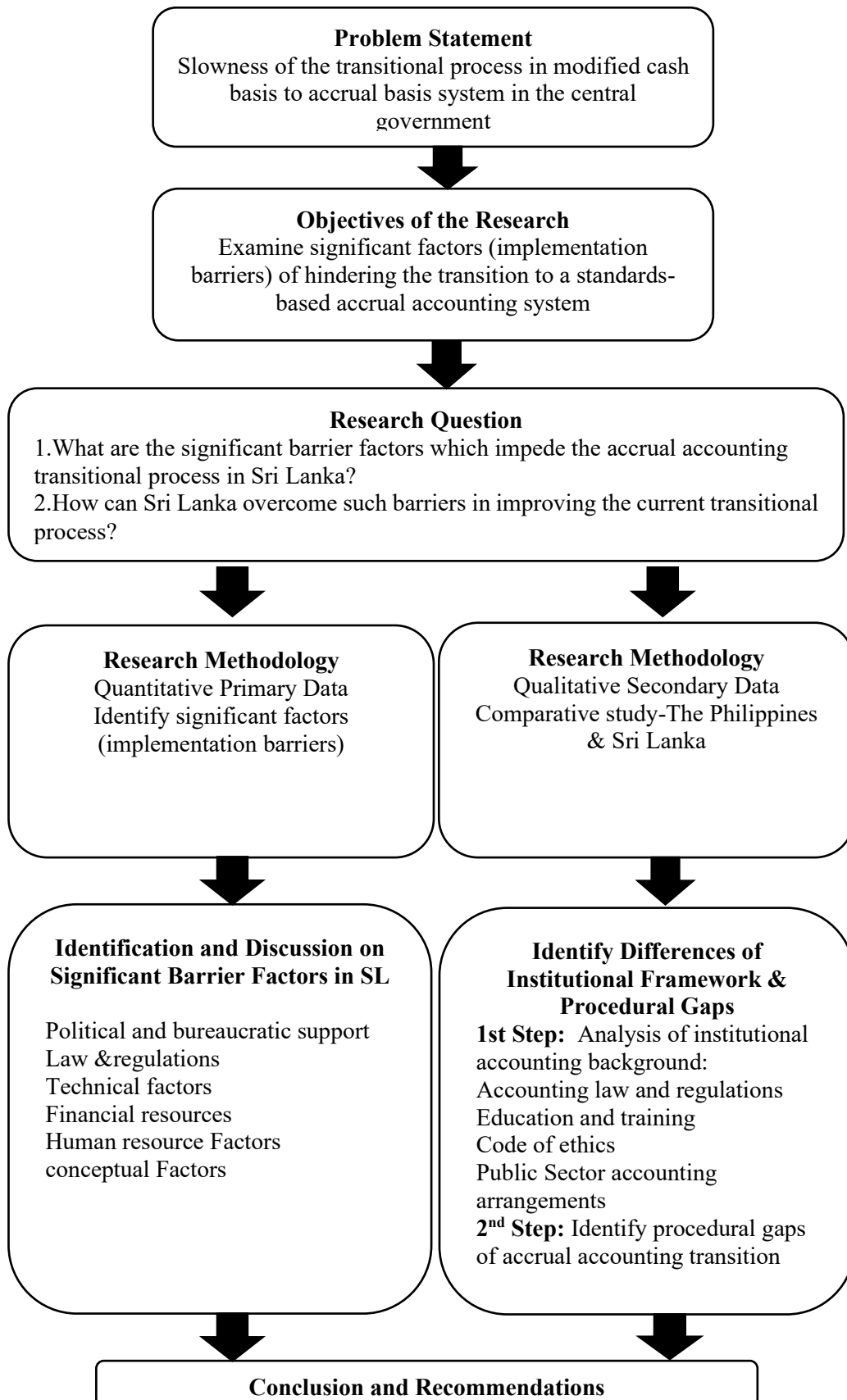
The study used a questionnaire survey from accountants, internal and external auditors, budgetary and academic public officers to represent central governmental entities, the Ministry of Finance, National Audit Office, and Different Ministries and Departments in gathering data. Thus, the study represents the practitioners at the forefront in implementing the accrual accounting-based system in Sri Lanka. First, Likert scale closed-ended questions were asked from the respondents regarding implementation barriers. Then based on primary data, this study compared mean values and a paired sample t-test to identify significant barriers among the thirteen different barriers in Sri Lanka.

The author must answer the second question with the results of the first question and a comparative study with an accrual accounting adopted country. There are several reasons for using the Philippines for comparison. Both countries

have similar economic development, and both are lower-middle-income countries. They were also identified as similar accounting staff qualifications in the private sector by ADB. Furthermore, it observed that the Philippines have progressed in the accrual accounting reform than in Sri Lanka. Therefore, this study used the Philippines for recommending reform steps towards a successful accrual accounting adaptation in Sri Lanka.

As the first step of the comparison, it was necessary to understand the differences in the two countries' institutional frameworks. Therefore, accounting law, education, training, code of conduct, and public sector accounting arrangements were analyzed. Then an analysis on crucial reform steps has been conducted, and identified reform gaps were identified. Based on these reform gaps, the paper's policy recommendations are constructed in recommending reform steps. The Comparative analysis was done based on qualitative data compiled using the IFAC publication on the Philippines, the annual financial statements of the Philippines, COA website, and conference proceedings by the director of COA in the Philippines during the Asia Public Sector Accounting and Reporting conference.

Figure 4.1. Analytical Framework of the Study



4.2 METHODOLOGY FOR QUANTITATIVE ANALYSIS

4.2.1 CONCEPTUAL FRAMEWORK

The proposed framework of this analysis is a variant of Ouda's basic requirement model. The Ouda's model combined with an empirical literature review regarding the barriers of accrual accounting transition thirteen barriers of the study were defined. Therefore, based on theoretical and empirical evidence, this study developed a model of thirteen transitional barriers in analyzing the accrual accounting process in Sri Lanka.

The model is an exhibit in the conceptual framework as in chapter 4, Figure 4.1; this model has categorized factors such as law & regulations, political & bureaucratic support, and bureaucratic support, specific accounting issues, human resource, financial resources, and conceptual to identify resource factors of each barrier. Below table 4.1.2 indicates the study's thirteen variables and shows the definitions of each variable with main categories associated with each variable.

4.2.2 VARIABLE DEFINITION

Table 4.1 Variable Definitions of the Study

| Resource Factor | Transitional Barrier (Variables) | Definition |
|---|--|--|
| Law & Regulations | 1. Accounting standards not mandated by law | No enforcement of accounting standards by current accounting law |
| | 2. Tight traditional cash-based system | Strict cash-based financial regulatory system |
| Political & Bureaucratic Support | 3. Lack of political and bureaucratic support and commitment | Executive and legislative body support for enactments of law and demand for improved information |

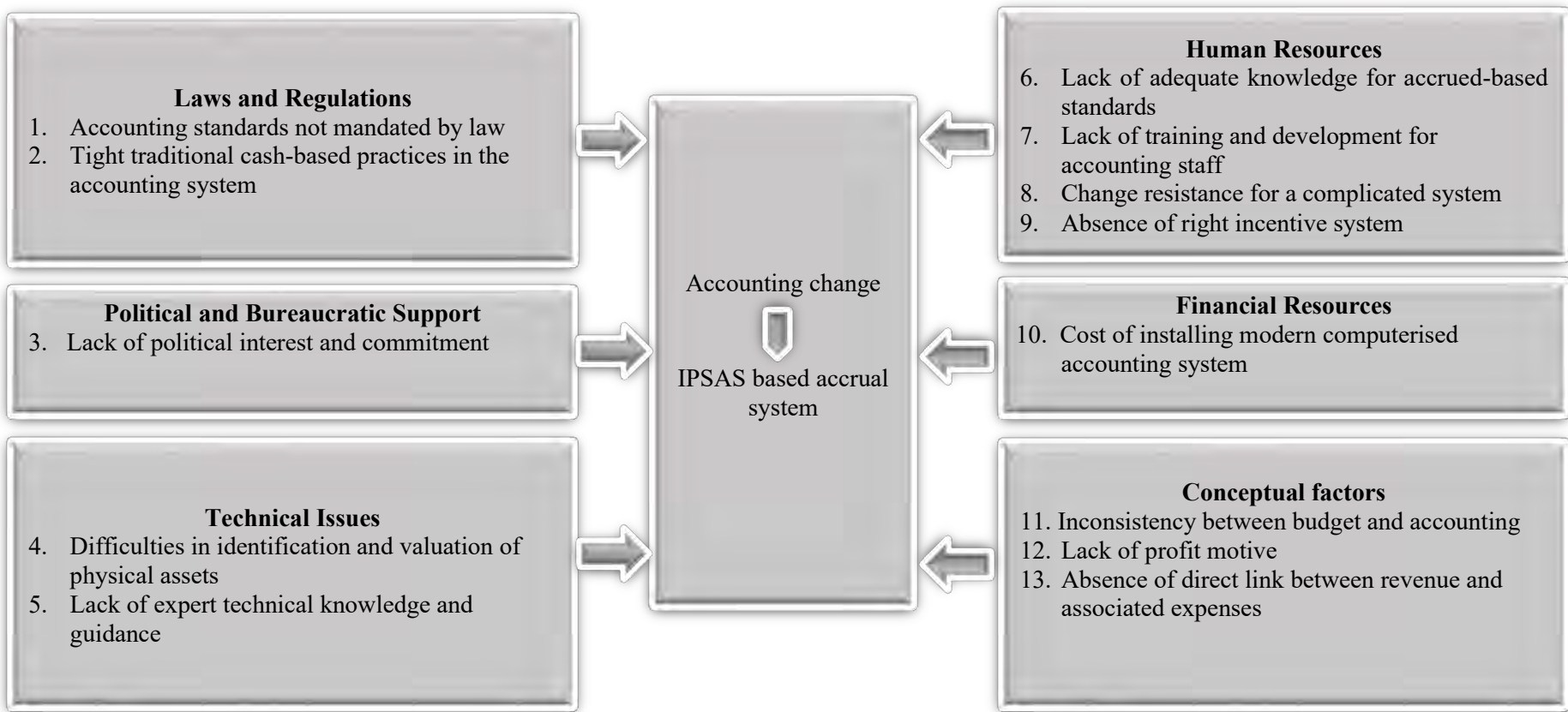
| Resource Factor | Transitional Barrier (Variables) | Definition |
|----------------------------|--|---|
| Technical Issues | 4. Difficulties in the identification and valuation of physical assets | Preparation of opening balance sheet with accrual basis compliance to asset ownership, valuation, and existence |
| | 5. Lack of expert technical knowledge and guidance | ICASL or another professional or international organizational support for technical matters |
| Human Resources | 6. Lack of adequate knowledge in accrual-based accounting standards | Accrual accounting-based standards knowledge in accounting staff |
| | 7. Lack of training and development for accounting staff | Training and development specific to accrual accounting concepts, international standards, and generally accepted accounting principles |
| | 8. The resistance to change | Administrative and accounting staff support towards the accounting change |
| | 9. Absence of the right incentive system | Remuneration package to par with industrial and economic norms in the country |
| Financial Resources | 10. Cost of installing a modern computerized system | Integrated computerized accounting system with accrual-based modules ⁹ |

⁹ Integrated accounting systems such as ERP or SAP which has invoicing, purchasing, fixed assets, payments, and reconciliation systems in all in one compatible with governmental functions can record transactions in the economic time.

| Resource Factor | Transitional Barrier (Variables) | Definition |
|---------------------------|--|--|
| | 11. Inconsistency between budget and accounting | Incompatibility of accrual accounting mechanism with a budgetary mechanism |
| Conceptual Factors | 12. Lack of profit motive | Government operating on welfare basis and not profit-oriented |
| | 13. Absence of direct link between revenue and associated expenses | Challenge to match tax revenue with expenditure in governmental operations |

Source: Compilation by the author.

Figure 4.1. Variables Categorization



Source: Compilation by the author.

4.2.3 SAMPLING METHOD AND DATA COLLECTION

By analyzing Netherland and Egypt, Ouda first used interviews based on open and closed research questions in assisting more insights into practical issues regarding the transitional barriers of accrual accounting. Then based on that, he designed a questionnaire survey with closed-ended questions to get standard answers, enabling statistical techniques from accountants, auditors, chief executives, and academics. Because empirical evidence of qualitative type interview data revealed practical transitional barriers of Sri Lanka, this study used closed-ended Likert scale questions to analyze those empirically evident barriers in Sri Lanka.

The questionnaire was classified into two sections, A and B. Section A features questions regarding demographic data. Section B was about closed-ended Likert scale research questions about factors (transitional barriers) towards accrual accounting.

The paper used the purposive sampling technique to select the respondents of the study. The purposive sampling method ensures that persons with the necessary experience and insights into accrual-based accounting can understand and evaluate the impacts. The respondents consist of accountants, auditors, budgetary officers, and academics from the Ministry of finance, National Audit Office, Ministries, and Departments to cover all the central government entities in Sri Lanka. This study used the standpoint of different bodies to obtain more credibility, reliability, and objectivity. The population is estimated using several central government entities engaged in accrual accounting transition, consisting of 22 special spending units, 37 ministries, 96 departments, and 25 district secretariats in Sri Lanka. Thus, the study represents the practitioners at the forefront in implementing the accrual accounting-based system in Sri Lanka.

The questionnaire survey was created in google forms, and the link was emailed through Gmail to the respondents. The data collection process has resulted in 52 responses from the entire target group (27%), as in Table 1.

Table 4.2 Sampling Population

| Population | Absolute number | Percentage related to the target group |
|-----------------------------------|------------------------|---|
| Target Group | 180 | 100% |
| Total Number of Surveys Submitted | 52 | 28% |

Source: Compilation by the author.

4.2.4 DATA ANALYSIS TECHNIQUE

In Ouda's study, he used paired sample t-test for analyzing significant differences of transitional barriers of developed and developing countries, e.g., the Netherland and Egypt. Further, he used the paired t-test to assess the significance of differences in the mean of two variables (factors) in one group (a country) to categorize profound factors, very important factors, and important and deletion factors. The paired t-test was helpful for the study because it categorizes the variables into profound factors, very important and important factors, and not important factors. The first research question is to find out the significance of each barrier factor (transitional barriers).

This study used descriptive mean value and paired t-test samples of two barriers (factors) to compare each barrier's significance. The statistical analysis was conducted using IBM Statistical Package for Social Sciences (SPSS) version 26. The first normality of data was checked by drawing histogram and checking data skewness and kurtosis of collected data. Then mean scores were detected using descriptive statistics. Different pairs of variables were examined using paired t-test to find out they are equal or different in hindering the transitional process if each factor impacted the transition to accrual accounting in the central Government of Sri Lanka. As such, the decision rules are,

- If (p) value < 0.05, reject the null hypothesis; the difference is probably not due to chance, and then the mean difference is significant.
- If (p) value > 0.05, accept the null hypothesis; the difference is probably due to chance, and then the mean difference is not significant.

To facilitate the statistical analysis, gave each transitional barrier a specific code. For the easy recognition of resources, each barrier has been categorized into five main factors. Therefore, Accounting standards not mandated by law, Tight traditional cash-based practices in the accounting system, and lack of political interest and commitment have incorporated into “laws and regulations.” Identification & valuation of physical assets, lack of training & development for accounting staff, and lack of expert technical knowledge & guidance incorporated into “technical issues.” The cost of installing a modern computerized accounting system has been incorporated as “financial resources.” Lack of adequate knowledge for accrued based standards changes resistance for a complicated system, absence of right incentive system incorporated as “human resources.” Inconsistency between budget and accounting, lack of profit motive, absence of a direct link between revenue and associated expenses incorporated into “conceptual factor.” Based on Figure 1 of section 3.1, the transitional barriers have been coded and analyzed as below.

1. Accounting standards not mandated by law - ACCLAW
2. Tight traditional cash-based practices in accounting system - TRDACCYS
3. Lack of political interest and commitment - POLINTCOM
4. Difficulties in identification and valuation of physical assets - ASSETVAL
5. Lack of training and development for accounting staff - STAFFTRNG
6. Lack of expert technical knowledge and guidance - EXPTSUPPT
7. Cost of installing modern computerized accounting system - COMSYS
8. Lack of adequate knowledge for accrued based standards -STAFFKNW
9. Change resistance for a complicated system - CHANRES
10. Absence of right incentive system - INCNSYS
11. Inconsistency between budget and accounting- BUDGACC
12. Lack of profit motive - PROFMOTV
13. Absence of direct link between revenue and associated expenses-REVEEXP

4.3 METHODOLOGY FOR COMPARATIVE STUDY

The second research question is to find remedies to overcome improving the current accrual accounting transitional process in Sri Lanka. According to IFAC, one fits all model would not make a successful path towards accrual-based IPSAS adaptation due to structural differences in each country. However, policy guidelines and transitional steps required, together with the capacity building throughout the management process, could be common ingredients contributing to successful IPSAS implementation (IFAC,2019,p.03).

When it comes to accrual accounting, New Zealand has utilized full accrual basis of accounting, developed countries like German and the Netherlands still operate on the cash basis of accounting in the central governmental sector, and Japan has been providing accrual information as additional information and a mandatory form of cash basis of accounting (OECD and IFAC, 2017). Furthermore, each country uses features in their presentation of accounts within the accrual basis, especially tax recognition, social benefits, heritage, and military assets.

Among the developing countries Malaysia, Indonesia, and the Philippines have already in the accrual accounting adaptation process (ACCA, 2017). Therefore, Sri Lanka needs to analyze a developing country with a similar economic, social, and accounting background. The Philippines is a lower-middle-income country with an average GDP rate of 4% from 2000 to 2009 and 6.3% from 2010 to 2016 (IFAC, 2019). The Philippines is a republic with a form of presidential Government, and constitutional power is equally divided among the executive, the legislature, and the judiciary. The legislature consists of two chambers: the senate and the house of representatives collectively referred to as congress. Qualified voters of the country elect the senate, which consists of 24 members, and the house of representatives consists of 250 members elected from legislative districts through the party lists system (IFAC, 2019).

Sri Lanka also experienced an annual growth rate of 6.4 % from 2003 to 2012 after the thirty years of war due to rapid infrastructure development (World Bank, 2014). However, after that, the growth was slowing, and from 2013 to 2017, the average growth is 4.2%. So then Sri Lanka again becomes a lower-middle-

income country from being an upper-middle-income nation (World Bank, 2020). Sri Lanka also a presidential form of Government, and the constitutional powers are divided through executive, legislative, judicial.

The accounting system change from cash to accrual has also been initiated in the same years of both countries. Sri Lanka started the reform in 2002 (MOFSL, 2007), and the Philippines in 2003 (IFAC, 2019). The World Bank and OECD also initiated the PFM model assessments in 2007 in the Philippines and, a World bank assessment was carried in Sri Lanka in 2007. ADB has recognized similar accounting backgrounds as the Philippines, and Sri Lanka has many qualified accountants in the private sector (2003).

The Philippines government has adapted accrual accounting basis formally in the year 2016. On the other hand, it was evident that the Philippines and Sri Lanka started the reform in the same year, and however, the Philippines government is successfully adapting accrual-based IPSAS in the central Government's annual financial statements. Therefore, this study used the path of accrual accounting convergence of the Republic of Philippines in analyzing significant institutional background and procedures in their path towards full accrual basis implementation.

The analysis formed two parts. First, it was essential to understand the difference between the two countries' institutional frameworks of accounting. Second, therefore, analyzed core institutional requirements such as accounting law, education and training, code of ethics, and public sector accounting arrangements. Then an analysis on crucial reform procedures with the timeline has been conducted and identified reform procedural gaps. Based on these reform gaps, the paper's policy recommendations are constructed in recommending further reform steps. Qualitative data were used in the comparative analysis based on IFAC publication on the Philippines, the AFSs of the Philippines, COA website, and conference proceedings by the director of COA in the Philippines during the Asia Public Sector Accounting and Reporting conference.

Chapter 5

RESULTS AND DISCUSSION

This chapter presents the results of the study about the quantitative study and comparative study. First, section 5.1 depicts quantitative analysis results with demographic, descriptive, and paired t-test results. Then section 5.2 shows results of the comparative study, which includes differences in institutional framework between Sri Lanka and the Philippines and gaps of reform procedure between two counties.

5.1 RESULTS OF THE QUANTITATIVE ANALYSIS

5.1.1 DEMOGRAPHIC RESULTS

From the 52 responses gathered, it appears to present that about 70% of most respondents are in the Accounting category. Those in Auditing, Academic, and Budgeting functions constitute about 25%, 4%, and 2%, respectively, representing central governmental reporting in Sri Lanka, illustrated in Table 5.1. Table 5.2 demonstrated that most respondents, 70% of the total respondents, had spent more than ten years in government service.

Table.5.1 Frequency Distribution of Respondents per Present Job Function

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|------------|-----------|---------|---------------|--------------------|
| Valid | Budgeting | 1 | 1.9 | 1.9 | 1.9 |
| | Academic | 2 | 3.8 | 3.8 | 5.8 |
| | Auditing | 13 | 25.0 | 25.0 | 30.8 |
| | Accounting | 36 | 69.2 | 69.2 | 100.0 |
| | Total | 52 | 100.0 | 100.0 | |

Source: Author's calculations using SPSS.

Table 5.2 Frequency Distribution of Respondents According to the Length of Service in the Public Service

Respondants according to length of service

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|--------------------|-----------|---------|---------------|--------------------|
| Valid | Less than 5 Years | 4 | 7.7 | 7.7 | 7.7 |
| | 5-10 Years | 12 | 23.1 | 23.1 | 30.8 |
| | 10-15 Years | 13 | 25.0 | 25.0 | 55.8 |
| | More than 15 Years | 23 | 44.2 | 44.2 | 100.0 |
| | Total | 52 | 100.0 | 100.0 | |

Source: Author's calculations using SPSS.

Most respondents are accountants and auditors who have spent more than ten years in the public sector and are in senior positions and representing the Ministry of Finance, Other Ministries, Departments, District Secretariats, and National Audit Office in Sri Lanka. Because of that, results are coming from familiar and experienced people in this research topic.

5.1.2 DETERMINATION OF SIGNIFICANT TRANSITIONAL BARRIERS

Table 5.3 depicts descriptive statistics of responses relating to transitional barriers. The header row indicates each barrier factor's codes, and columns indicate mean, standard deviation, minimum and maximum values, and data skewness and kurtosis of data variables. The skewness and kurtosis around 1 indicated data is normally distributed and therefore considered for analysis. Furthermore, using a histogram, the normality of data was checked before proceeding with the statistical analysis. The mean values of the barriers were organized in descending order, analyzing the extent of each barrier that has impacted the reform based on public servants' preference. Mean values are based on a Likert scale of 1 to 5 extend from minimum value from 1 "not at all" to 5 "to greater extent" in indicating the extent to which each barrier hinders the accrual accounting transition.

Table 5.3 Descriptive Statistics of Responses Relating to Transitional Barriers

| | Descriptive Statistics | | | | | | | | |
|--------------------|------------------------|-----------|-----------|-----------|----------------|-----------|------------|-----------|------------|
| | N | Minimum | Maximum | Mean | Std. Deviation | Skewness | | Kurtosis | |
| | Statistic | Statistic | Statistic | Statistic | Statistic | Statistic | Std. Error | Statistic | Std. Error |
| STAFFTRNG | 52 | 2 | 5 | 3.60 | 1.071 | -.111 | .330 | -1.215 | .650 |
| EXPTSUPPT | 52 | 1 | 5 | 3.56 | 1.037 | -.215 | .330 | -.630 | .650 |
| ASSETVAL | 52 | 1 | 5 | 3.50 | 1.129 | -.255 | .330 | -.724 | .650 |
| CHANRES | 52 | 1 | 5 | 3.19 | 1.138 | -.145 | .330 | -.645 | .650 |
| STAFFKNW | 52 | 1 | 5 | 3.17 | 1.133 | -.270 | .330 | -.499 | .650 |
| ACCLAW | 52 | 1 | 5 | 3.13 | 1.121 | -.188 | .330 | -.430 | .650 |
| TRDACCYS | 52 | 1 | 5 | 3.12 | 1.263 | -.104 | .330 | -.823 | .650 |
| BUDGACC | 52 | 1 | 5 | 3.10 | .955 | .223 | .330 | -.514 | .650 |
| REVEEXP | 52 | 1 | 5 | 2.98 | 1.213 | .175 | .330 | -.940 | .650 |
| POLINTCOM | 52 | 1 | 5 | 2.96 | 1.267 | .075 | .330 | -.839 | .650 |
| COMSYS | 52 | 1 | 5 | 2.88 | 1.078 | .238 | .330 | -.608 | .650 |
| INCNSYS | 52 | 1 | 5 | 2.69 | 1.130 | .475 | .330 | -.233 | .650 |
| PROFMOTV | 52 | 1 | 5 | 2.67 | 1.004 | .227 | .330 | -.277 | .650 |
| Valid N (listwise) | 52 | | | | | | | | |

Source: Author's calculations using SPSS.

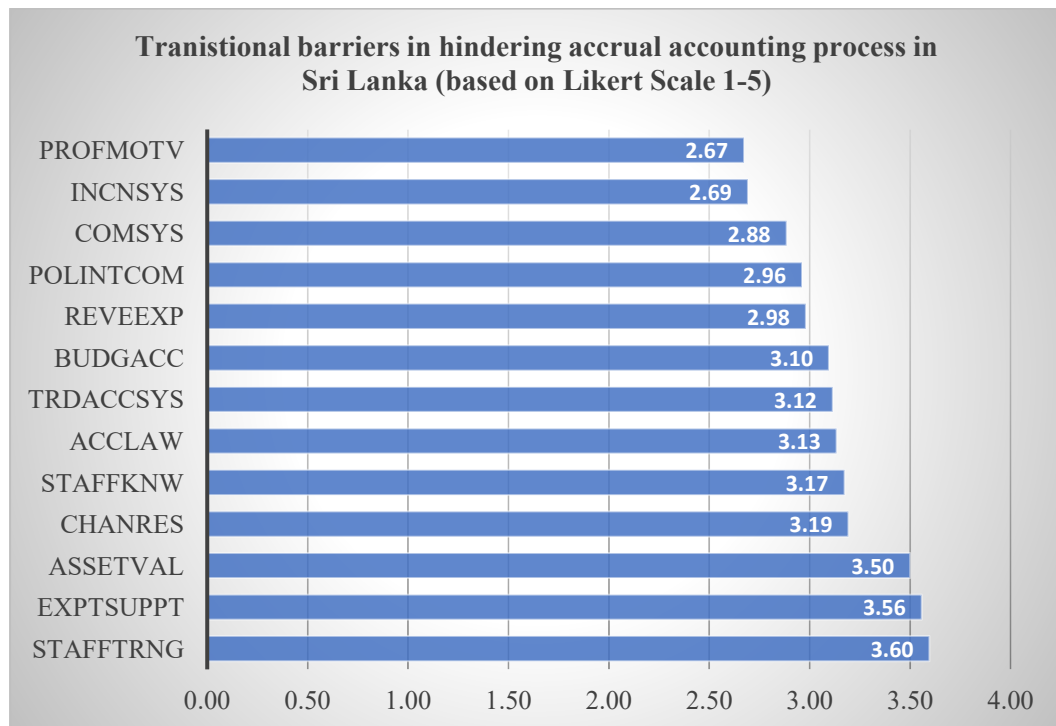
The below figure 5.1 is a graphical illustration of the mean of each barrier in ascending order. Lack of training & development in the accounting staff shows the highest mean value of 3.60, indicating a greater impact in impeding the transition.

And then, lack of expert technical knowledge & guidance and difficulties in identifying and evaluating physical assets indicates mean values of 3.56 and 3.50, respectively. Change resistance for a complicated system and lack of adequate knowledge in accounting standards show the next level of the mean values which are, 3.19 and 3.17.

Finally, the factors such as accounting standards are not mandated by law, tight traditional cash-based practices in the accounting system, inconsistency between budget and accounting, and lack of political interest and commitment show mean values of 3.13, 3.12, 3.10, and 2.96, respectively. The finance resource factor, the cost of installing a modern computerized accounting system, shows a lower mean value as a barrier factor, which is 2.88. The lowest mean values represent conceptual factors such as inconsistency between budget and accounting, absence of a direct link between revenue and associated expenses, and lack of profit motive.

Comparatively, with other human resource factors, the barrier of the absence of the right incentive system shows the least mean value of barriers that disrupt the change process as per the above descriptive data analysis. The results indicated that there is no crucial difference between respondents for scaling the extent of different barriers¹⁰.

Figure 5.1 Results of the Transitional Barriers in a Graphical Illustration



Source: Author's calculations using SPSS.

5.1.3 ANSWER TO THE FIRST RESEARCH QUESTION

The above table 5.4 indicates responses relating to the first research question: the summary compilation of paired t-test results to examine the significance of thirteen different barriers in hindering the accrual accounting

¹⁰ See appendix figure 1 for graphical illustration of respondents categorical differences of choice on transitional barriers.

transitional process. In conducting paired sample t-test, the mean value was sorted according to in ascending order, and then the mean value of each factor was compared against the next mean value of each factor. Finally, the significance of the difference in mean values between two factors was analyzed using each combination's p-value. The results indicate in the row order on the left side of the table to avoid duplicity in examining the variables.

Table 5.4 Summary of Paired T-test Results¹¹

| | Factors (transitional barriers) | Paired T-test Results (Summary) | | | | | | | | | | | | | |
|----|------------------------------------|--|---|---|---|---|---|---|---|---|---|----|----|----|----|
| | | Mean | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 1 | STAFFTRNG | 3.60 | | | | | | | | | | | | | |
| 2 | EXPTSUPPT | 3.56 | - | | | | | | | | | | | | |
| 3 | ASSETVAL | 3.50 | - | - | | | | | | | | | | | |
| 4 | CHANRES | 3.19 | X | X | - | | | | | | | | | | |
| 5 | STAFFKNW | 3.17 | X | X | - | - | | | | | | | | | |
| 6 | ACCLAW | 3.13 | X | X | - | - | - | | | | | | | | |
| 7 | TRDACCYS | 3.12 | X | X | - | - | - | - | | | | | | | |
| 8 | BUDGACC | 3.10 | X | X | X | - | - | - | - | | | | | | |
| 9 | REVEEXP | 2.98 | X | X | X | - | - | - | - | - | | | | | |
| 10 | POLINTCOM | 2.96 | X | X | X | - | - | - | - | - | - | | | | |
| 11 | COMSYS | 2.88 | X | X | X | X | - | - | - | - | - | - | | | |
| 12 | INCNSYS | 2.69 | X | X | X | X | X | X | X | X | - | - | - | | |
| 13 | PROFMOTV | 2.67 | X | X | X | X | X | X | X | X | X | - | - | - | |
| | | X = P value is < than 0.05 = There is a significant difference among the mean values of each factor. | | | | | | | | | | | | | |

Source: Author's calculations using SPSS.

¹¹ Please see for details of paired t-test results on SPSS data tables in Addendix B1 to B12.

As per table 5.4, the lack of training and development for accounting staff, lack of expert technical knowledge & guidance, and asset identification & valuation difficulties show greater impact in hindering the accrual accounting transition. Among these three profound factors, they do not show a significant difference among each other. So, it is considered equally significant in hindering the accrual accounting transition. Therefore, it is implied that lack of training & development for accounting staff, lack of expert technical knowledge & guidance, and difficulty identifying and valuing physical assets play an essential role in precluding the transition to accrual accounting in the central government. Therefore, it also indicates that significance is the most significant barrier of obstacles in the transition.

Next, Resistance for a complicated system and lack of adequate knowledge for accrued-based standards, accounting standards not mandated by law, and tight traditional cash-based practices in accounting systems show a significant difference with the highest mean values indicating a secondary level of impact in hindering the accrual accounting transition. Finally, there is no significant difference in the mean value; therefore can identify as equally impact on accrual accounting transition.

Then inconsistency between budgeting & accounting, absence of a direct link between revenue and associated expenses, lack of political interest & commitment, and the cost of installing a modern computerized accounting system shows a significant difference with mean values of highest and next level of barrier factors. The lowest level of mean variables, such as the absence of the right incentive system and the lack of profit motive, show the lowest level of significance as barriers in the transitions of accrual accounting in the central government of Sri Lanka.

5.2 RESULTS OF THE COMPARATIVE ANALYSIS

This section provides a comparison of the accrual accounting movement in the Philippines and Sri Lanka. It begins with providing an overview of the accrual accounting movement in the Philippines regarding its progress. Next, it presents differences in the core institutional framework of governmental accounting, including accounting law, education and training, code of ethics, and public sector accounting arrangements. And then, in the latter section, the study compares the procedural gaps in the critical reform steps that took place in the Philippines with Sri Lanka for policy recommendations. Finally, the answers to the second research question, which are remedies, have been provided for compatibility to the first research question results and institutional and procedural gaps.

5.2.1 OVERVIEW OF ACCRUAL ACCOUNTING REFORM OF THE PHILIPPINES

The Philippines' government formally initiated the need to implement an international accounting standards-based accounting system in the year 2014 (IFAC, 2019, p. 04). The adaptation has happened to strengthen public finance management (IFAC, 2019, p. 04). However, the government was clearly on the perception of changing existing national standards due to weaknesses in the accounting and reporting mechanism (IFAC, 2019). In 2007, the country assessment on PFM revealed several drawbacks of the accounting and reporting system. Before the change happened, there were no sound systems and processes for financial integrity, used spreadsheets that lacked data integrity, non-integrated government accounting system, and significant continuous defects in the annual financial reporting framework (COA, 2015).

Table 5.5 shows the basis of adaptation, indicating that all statements have been prepared consistently based on accrual. Except for the Cash Flow Statement, all other Financial Statements have been prepared on the accrual-based concept. Therefore, accrual basis systems have been applied with compliance to IPSASs. According to COA, twenty-eight accrual-based accounting standards have been adopted since 2016 in annual financial reporting in the Philippines (2018).

Table 5.5 Basis of Presentation of Annual Financial Statements in the Government of Philippines Year 2018

| Statements | Cash Basis | Modified Cash Basis | Modified Accrual | Accrual Basis |
|--|-------------------|----------------------------|-------------------------|----------------------|
| Statement of Financial Position | | | | ✓ |
| Statement of Financial Performance | | | | ✓ |
| Cash Flow Statement | ✓ | | | |
| Statement of Changes in Net Assets/Equity | | | | ✓ |
| Management Comparison of Budget and Actual Statement or Budget Column in the FSS | | | | ✓ |
| Notes Comprising Summary of Significant Accounting Policies | ✓ | ✓ | | |

Source: Compilation by the author based on AFSs of the Philippines – 2018.

5.6. Reporting Practices of Ledger Accounts in the Annual Financial Statements of the Government of Philippines Year 2018

| Type of Account | Balance Sheet | Disclosure | Not Reported |
|--------------------------------|---------------|------------|--------------|
| Tax Receivable * ¹² | | | ✓ |
| Accrued Payments | ✓ | | |
| Biological Assets | ✓ | | |
| Land Buildings | ✓ | | |
| Infrastructure | ✓ | | |
| Plant & Equipment | ✓ | | |
| Heritage Assets* ¹³ | ✓ | | |
| Military Equipment | ✓ | | |
| Retirement Liability | ✓ | | |
| Depreciation* ¹⁴ | ✓ | | |
| Contingent Liability | ✓ | | |

Source: Compilation by the author based on AFSs of the Philippines – 2018.

Table 5.6 depicts accrual-based ledger accounts adaptation. Except for tax receivable, other accounts have been recorded based on the accrual concept.

¹² Except in the case of taxes and related fines and penalties which are recognised when collected or when these are measurable and legally collectable.

¹³ Heritage assets includes recording of buildings such as museums, old churches, cathedrals, and mosques no longer used for worship, works of arts, and other archaeological specimens such as held and preserved for cultural and historical significance.

¹⁴ The specific useful life of a PPE is determined by an entity based on the ranges prescribed by the COA. Significant part of the PPE purchased at required intervals are depreciated over their specific useful lives.

5.2.2 COMPARISON OF INSTITUTIONAL FRAMEWORK

(A) THE PHILIPPINES

➤ Law and Regulations

The COA prepares the Annual Financial Report (AFR) for the national government in compliance with mandates of the 1987 constitution and presidential decree no.1445, otherwise known as the government code of the Philippines (2018). AFR of the national government has prepared to combine 320 entities, including National Governmental Agencies (NGAs), Local government units (LGUs), and other non-commercial government entities. FSs are prepared in conformity with the Philippines accrual basis PPSAS prescribed under COA Resolution No.2014-003 with generally accepted accounting principles (COA, 2018).

Then accrual accounting change was led by the COA, who had the constitutional responsibility, including accounting and reporting. The change is adopted in four levels of the government in the whole country (IFAC, 2019).

In 2008, the creation of the public sector accounting standards board (PSAcSB) under the COA restructuring vested the exclusion authority to COA in promulgating accounting rules and regulations in accordance with the 1987 Philippines constitution. PSAcSB assisted in formulating and implementing public sector accounting standards and establishing and maintaining linkages with international bodies, professional organizations, accounting, and related aspects of financial management (IFAC, 2019; COA,2015).

By the end of 2013, the preparation, review, and approval of the first 25 PPSAS and the corresponding Philippines application guideline (PAG) were completed, and in 2014, COA formally adapted PPSASs standards. By 2015, 28 PPSASs were developed by adding three new IPSAS based standards (2018). The government accountancy sector is tasked to prepare national government financial reporting according to COA resolution no.2013-021 to restructure the government accounting system in 2013. COA resolution number 2014-003 prescribed adaptation of PPSAS. COA issued circular No.2015-007 prescribing the government accounting manual for national government agencies that provide

updated accounting guidelines and procedures to implement the PPSAS and other pertinent rules and regulations.

➤ **Education and Training**

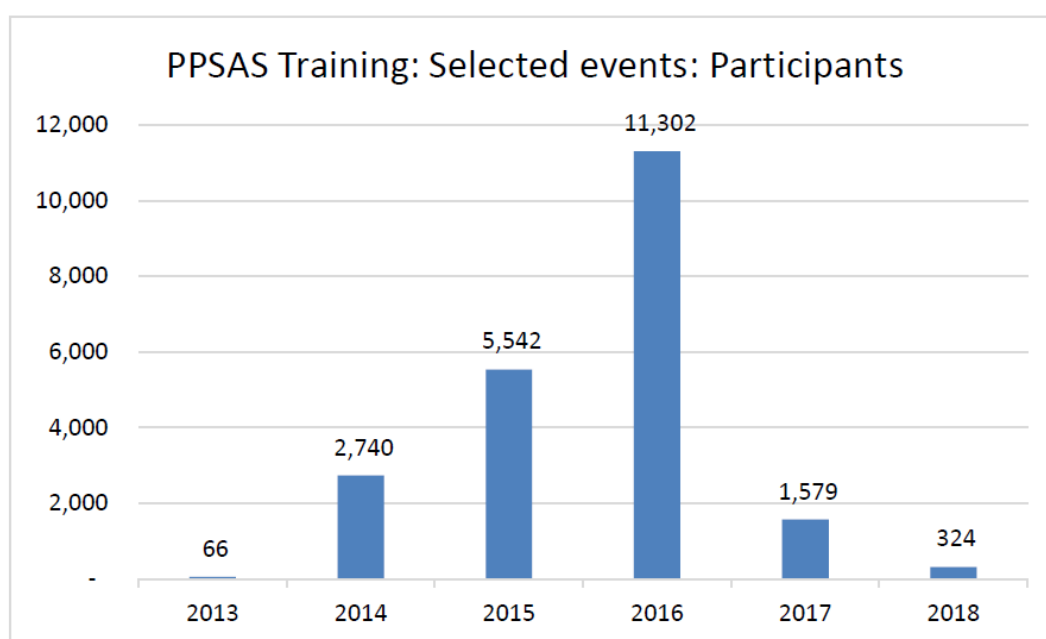
The Board of Accountancy (BOA) of the Professional Regulatory Commission (PRC), created by the Philippines legislature, is vested with the authority to set professional standards for the accounting profession and issue certified public accountant certificates to those who qualify to follow the law requires. A university degree in accountancy, commerce, or business administration must be a government accountant in the Philippines. Additionally, it is mandatory to be a member of a certified public accountant as eligibility criteria for work as an accountant¹⁵ (Civil Service Commission, 2017)

As per figure 5.2, from the beginning of the reform, extensive training was led by COA, involving finance staff at all levels of the government. More than 21,000 members of staff were trained during the 2013 to 2018 period while maintaining current operations. The program formed a part of COAs standard training program through the professional development office, the professional and institutional development sector of COA, and the COA regional training units. At the peak, in 2016, around 50 people were being trained every working day. The scale of training depicts in the figure below. If the attendance is 25 people, then the estimated courses between 2013 and 2018 are around 900. In 2016, there were 450 courses run, almost two every week working days¹⁶.

¹⁵ Philippines Institute of Certified Public Accountants actively supporting implementation of international standards and maintaining adequate enforcement mechanisms to ensure the professional behaviour of their individual members. CPD on accounting standards, training on IFRSs.

¹⁶ Human development strategies extracted from the case study report by the international federation of accountants (IFAC) on adaptation of international public sector accounting standards in the Philippines in 2019.

Figure 5.2 PPSAS Training Conductance in the Philippines



Source: IFAC, 2019.

➤ **Code of Conduct**

The Accountancy act of 2004 and the rules and regulations made under it formally recognizes the Financial reporting standards council (FRSC), Auditing and assurance standards council (AASC) as the official standard-setting bodies of the profession. In addition, the Philippines adopts and follows the international financial reporting framework (IFRS), International standards of auditing (ISA), and the international code of ethics for professional accountants.

As accountants are members of the Institute of Certified Public Accountants, they actively support the implementation of international standards and maintain adequate enforcement mechanisms to ensure the professional behavior of their members. Such as CPD programs on accounting standards, training on IFRSs, and following code of ethics based on international standards.

➤ **Accountants arrangements**

As every government accountant is CPA qualified, a qualified financial officer is responsible for maintaining internal financial controls that manage risks and prepare the accounts in the Philippines.

(B) SRI LANKA

➤ Law and Regulations

According to article 44 of the constitution of the democratic socialist republic of Sri Lanka, the constitutional powers vested to the president have been delegated to the Minister of finance by the government's financial regulations, its interpretation & amendments (MOFSL, 1992, p. 04). Furthermore, the designated authority in preparing and presenting financial statements is the department of state accounts of the Ministry of Finance (MOFSL, 2020, p. 197). The financial statements have been prepared under the provisions of Articles 149 and 150 of the constitution, Fiscal Management (responsibility) Act No 03 of 2003 and National Audit Act No 19 of 2018. The annual financial statements are prepared based on twenty-two (22) special spending units, thirty-seven government ministries (37), ninety-six (96) government departments, and twenty-five (25) district secretariats. These governmental entities are required to report as per the financial regulations-1992 issued by the public finance department of the MOFSL (MOFSL, 2007). There is no current prescription by law to adapt Sri Lanka Public Sector Accounting Standards (SLPSASs) developed by ICASL under IPSASs.

➤ Education and Training

Government accountants are mainly recruited based on the results of a competitive examination. The total annual recruitment comprises 50% recruit based on university degree equivalent qualification (open stream), and 35% based on five years of uninterrupted service in the governmental sector and equivalent to a university degree (limited stream). The rest of 15% is allocated to recruit professionally qualified accountants from ICASL, CIMA, and other professionally recognized institutes. Therefore, only a few are recruited as professionally qualified accountants in the governmental sector. Currently, government accountants take a thirty (30) week induction training course that provides a PFM foundation but does not provide exposure to or training accounting standards.

➤ Code of Conduct

The establishment code applies to all government employees; however, there is no specific code based on IFAC or the ICASL for public sector accountants.

The code of ethics is embedded within the establishment code for public service is less prescriptive than the standard code for professional accountants (MOFSL, 2007).

➤ **Accountants arrangements**

In Sri Lanka, there is rarely a professionally qualified accountant responsible for internal controls and financial statement preparation.

(C) DIFFERENCES OF INSTITUTIONAL FRAMEWORK

Table 5.7 indicates differences in the institutional framework of the Philippines and Sri Lanka. It has highlighted that there are significant differences in the institutional framework of the two countries. The change process was led by the commission of audit, whose constitutional responsibility included accounting and financial reporting. Further, the formulation and promulgation of public sector accounting standards by COA can be identified as the main highlight of the institutional framework of the Philippines.

However, in the case of Sri Lanka, several parties are engaging in the accounting process. While the state accounts department is responsible for preparing financial statements, the ICASL is the institute that developed accrual accounting standards. However, ICASL does not have the power to enforce accounting standards to the governmental entities in Sri Lanka. Constitutionally, the department of public finance under the general treasury can promulgate accounting laws in Sri Lanka. Therefore, this difference can be identified as a significant gap between institutional frameworks, which can significantly influence accrual accounting convergence.

Legislative changes have happened in the case of the Philippines regarding accounting law, such as preparing accrual standard-based financial statements, prescribing adaptation of Philippines public sector accounting standards (PPSAS), and changing the accounting manual. However, the only legalized change that happens in Sri Lanka was instructing central government entities to prepare accrual-based financial statements. Therefore, in Sri Lanka, although the formulation of

PSASs happened, those needed to be approved by the general treasury to promulgate for successful accrual accounting adaptation.

Further, in the Philippines, professional qualifications are mandatory to be an accountant. However, in Sri Lanka, this is rarely practicing. As a result, few professionally qualified accountants work in the government sector. Moreover, government accountants lack continuous development of accounting practices and international accounting standards, and professional ethics. Similarly, the Philippines Qualified Financial Officer is responsible for maintaining internal financial controls that manage risks and prepare the accounts. However, this accounting arrangement is not practiced in many ministries or departments in Sri Lanka. Table 5.7 indicates differences in the institutional framework of the Philippines and Sri Lanka.

Table.5.7 Differences in the Institutional Framework of the Philippines and Sri Lanka

| Institutional Framework | Philippines | Sri Lanka |
|---------------------------------------|--|---|
| 1.) Law and Regulations | | |
| Responsible for Making AFSs | The COA is responsible for preparing the AFSs under the 1987 constitution and presidential decree (P.D.) No.1445 (IFAC, 2019, p. 15) | The Department of State Accounts under MOFSL responsible for the preparation of AFSs (MOFSL, 2020) |
| Promulgation of Accounting Law | COA has the authority to promulgate public sector accounting standards in the Philippines since 2008 (IFAC, 2019, p. 15) | The Minister of finance has assigned government financial regulations, interpretation & amendments as per article 44 constitution powers vested in the president (MOFSL, 1992, p. 04) |

| | | |
|--|--|--|
| Formulation of Public Sector Accounting Standards | Public sector accounting standards board (PSAcSB) under the COA | Public Sector Accounting standards committee led by ICASL Sri Lanka, including MOFSL and National Audit Office SL |
| Legal Amendments for Accrual Basis Adaptation | Tasked to prepare national government financial reporting, restructuring the government accounting system-COA resolution no.2013-021 | Instructed to use accrual-based Financial Statements in Annual Appropriation Accounts for the year 2015- SAD-245-2015 MOFSL |
| | Prescribed adaptation of PPSAS-COA resolution number 2014-003 | None |
| | Prescribed the use of government accounting manual on renewed PPSASs- COA issued circular No.2015-007 | None |
| 2.) Education and Training | | |
| Qualifications | University degree in accountancy and mandatory requirement of membership of a certified public accountant (CPA) as eligibility criteria for work as an accountant (Civil Service Commission, 2017) | The total annual number of recruitments has divided into a ratio which includes 50% from a university degree in accountancy or equivalent qualification (open basis), 35% from experience in the public service (limited basis) and 15% based on professional qualifications (<i>Sri Lanka Accountancy Service Minute</i> , 2010) |

| | | |
|-------------------------------------|---|---|
| Training | COA provided a rigorous training program on accrual-based accounting standards (IFAC, 2019) | Thirty-week induction training at the Sri Lanka Institute of Development Administration on PFM but not provide exposure or training in accounting standards (MOFSL, 2007) |
| 3.) Code of Conduct | Ensure the professional behavior of CPA individual members. Such as CPD programs on accounting standards, training on IFRSs, and following code of ethics based on international standards (IFAC, 2018) | An Establishment code for Public service, but no specific code based on international standards for professional accountants |
| 4.) Accountants Arrangements | Qualified financial Officer is responsible for maintaining internal financial controls that manage risks and prepare the accounts | Every entity is not supervised under a professionally qualified accountant |

Source: Compilation by the author.

5.2.3 COMPARISON OF REFORM PROCEDURE

In comparison to the procedure adopted in both countries, several gaps can be identified from the beginning of the reform. Table 5.8 illustrates critical events of the reform procedures in the Philippines and Sri Lanka. The COA has taken several steps before instructing governmental entities to prepare accrual accounting formats.

Formal accrual accounting adaptation was initiated around the same years in Sri Lanka and the Philippines. In 2014, the COA formally started adapting accrual-based accounting standards, while in 2015, the MOFSL instructed the central government entities to prepare annual financial statements based on accrual-based accounting formats.

- In 2008, as indicated in table 5.8, both countries have established a public sector accounting standards board in the same years. In the case of the Philippines, the PSAcSB recommends the adaptation of IPSAS. On the other hand, COA decided to adapt or not each standard with rigorous consideration of the number of factors, including the relevance of the standards and legal position in the country.
- After that, in 2011, PPSASs were harmonized with accrual-based IPSASs. However, in Sri Lanka in 2009, the ICASL has issued and published SLPSAS, the harmonization of accounting standards adaptation to the governmental accounting system has not happened.

Table 5.8 Gap Analysis on Reform Procedures

| Reform Procedure | The Philippines | Sri Lanka |
|---|------------------------|------------------|
| 1.Public Sector Accounting Standards Board | 2008 | 2009 |
| 2.PSAcSB Recommends the Adaptation of IPSAS | 2008 | - |
| 3.Harmonize PPSAS with IFRS and IPSAS. | 2011 | - |
| 4.Enhance/Revise Chart of Accounts. | 2013 | 2015 |
| 5.Enhance/Revise the New Government Accounting System | 2013 | 2015 |
| 6.Revise/Update Government Accounting Manuals for NGAs, LGUs, and GOCCs | 2013 | - |
| 7.Formal Adaptation of Accrual-based Accounting Standards | 2014 | - |
| 8.NGAs` Web-based Annual Financial Reporting System. | 2014 | 2019 |
| 9.Capacity Building Program. | Jan 2014-Dec 2020 | - |

Source: Compilation by the author.

- In the Philippines, the accounting manual was revised or updated for NGS, LGUs and other governmental non-commercial entities also considered by COA in the Philippines in the year 2013 before formally start the accrual

process. However, according to accrual-based standards, the accounting manuals were not changed to guide accounting staff for the new change.

- In 2014, the COA formally started adaptation in accrual-based accounting standards, while in 2015, the MOFSL instructed the central government entities to prepare annual financial statements based on accrual-based accounting formats.
- From the beginning of the reform, continuous training and capacity building process has rigorously been done, and a significant reform step adapted by the Philippines' COA has been omitted in Sri Lanka.

5.2.4 ANSWER TO THE SECOND RESEARCH QUESTION

- The research findings of the first research question revealed significant accrual accounting barriers in Sri Lanka. Accordingly, it has been found that lack of training & development, lack of expert knowledge and support, and difficulties in identifying and valuing assets have a more significant impact in impeding the accrual accounting transitional process. As a result, it has revealed gaps in the institutional and procedural requirements needed to suggest remedial actions in Sri Lanka.
- **Institutional Remedies:**
 1. Appointment of a professionally qualified accountant as the chief financial officer, who responsible for accrual accounting-based AFSs and internal financial control systems.
 2. Include the knowledge on IPSAS in the efficiency bar examination for service progression.
 3. Accounting services needed to be followed with training in the core competencies focusing on international accounting standards to accommodate the new changes in the accrual accounting system.
 4. Institutionally state regulatory bodies such as the Department of State Accounts, Department of Public Finance, National Audit office, and professional bodies such as ICASL must strongly collaborate in lending their expert knowledge concerning the SLPSAS adaptation.

➤ **Procedural Remedies:**

5. A continuous and tailor-made training program for the accrual accounting change system to upgrade accounting staff's capacity, education, and knowledge on accountants regarding IPSAS based standards which were adopted in the Philippines,
 - Training the trainers, essentially promoting staff involved in developing and executing the training programs and courses.
 - Develop suitable courseware to support the training events.
 - Design and developed a web-based training management system.
 - Technical training and the content and application of the standards need to be interpreted in the country context.
 - Conduct high-level training for senior staff, including executive appreciation courses.
 - Update training materials and provision of refresher training as adapted standards in modification with experiences and changes.
 - Conduct training on a revised chart of accounts.
 - Feedback from the participants and subsequent modification of courses and courseware.
6. Consider a harmonization of Sri Lanka Public Sector Accounting Standards (SLPSASs) for the adaptation in the government sector. The recommendation is to be proceeded by the Department of Public Finance with the Public Sector Accounting Standards committee in Sri Lanka.
7. Revise/Upgrade the financial regulatory manual to introduce new financial statement preparation formats, chart of accounts, and national public sector accounting standards.
8. Develop and implement an e-ticket system for monitoring technical issues.

Chapter 6

CONCLUSION & RECOMMENDATIONS

Although Sri Lanka has been moving towards accrual accounting-based AFSs for more than ten years, and the accrual accounting formats have been introduced, the transition to the accrual accounting system has not happened. This paper sought answers for significant challenges that are decelerating the accrual accounting process in Sri Lanka. Based on Ouda's model, thirteen barriers were constructed to cater to the situation in Sri Lanka and analyzed the extent of those barriers hindering the transitional process. Based on Luder's 1992 contingency theory, the study assumed that the unfavorable conditions resulting from the institutional background could impede the reform process.

The data gathered were normally distributed and therefore considered to take for the analysis. The demographic results indicated that most respondents have spent more than ten years in the public sector and are in senior positions and representing the Ministry of Finance, Other Ministries, Departments, District Secretariats, and National Audit Office in Sri Lanka. Results had no difference regarding the significant barriers among the respondents. Descriptive statistics of mean values in each barrier provided a scale for the statistical analysis on each barrier. Accordingly, lack of training & development of accounting staff, lack of expert technical knowledge & guidance, and difficulties in asset identification & valuation showed the highest mean value and, therefore, a greater extent in hindering the accrual accounting transition.

Furthermore, paired t-test results showed a significant difference between the highest mean valued variables and others. Therefore, the study identifies that lack of training & development of accounting staff, lack of expert technical knowledge & guidance, and asset identification & valuation difficulties significantly hindered the accrual accounting transition in Sri Lanka. Furthermore, resistance to a complicated system and lacking adequate knowledge in accounting standards in accounting staff also indicated a more considerable impact in impeding

the accrual accounting transition. Therefore, it can be acknowledged that there is a substantial drawback in the human resource factor, which impeding the accrual accounting transition in Sri Lanka. Robust demand for technical knowledge in accrual accounting concepts and international public sector accounting standards for accrual accounting for the transition is also recognized.

Legal and regulatory barriers such as the non-mandatory requirement of accounting standards by law and traditional cash-based systems have indicated some extent of hindering the accrual accounting transition. However, results do not show them as significant as human resource factors. Similarly, the political barrier also indicated the same level of significance in hindering the accrual accounting transition.

The study also revealed that there is not much of a requirement on a modern computerized system for the current accounting transition as they have given the least priority for the barrier of the computerized accounting system. Furthermore, conceptual barriers such as inconsistency between budgeting & accounting, absence of the right incentive system, and lack of profit motive indicated a minor significance level in hindering the accrual accounting reform.

The second research question sought remedies for barriers to improve the current transitional process in Sri Lanka. The comparative analysis revealed drawbacks in the institutional framework of accounting and reporting background, including human resource and legal systems in Sri Lanka compared to the Philippines. Furthermore, significant procedural gaps were identified in the analysis that has not been taken in the transitional process. The lack of skills and knowledge in the human resource factor was highlighted in the results of the first research question as a significant barrier in Sri Lanka. However, the education and training background of the Philippines showed a favorable condition for the Philipinnes change towards the transition. Therefore, the study recommended remedial actions, including institutional and procedures for improving the country's current accrual accounting transitional process.

Firstly, the study identified the appointment of a chief financial officer with professional accreditation to be responsible for the accrual accounting basis of AFSs

preparation in Sri Lanka as a remedy. Also, changes in the efficiency bar examination in service progression to include the knowledge on IPSAS are necessary. The government accountants are currently recruited based on a ratio basis of qualifications, which a university degree or equivalent is required in Sri Lanka. Although it is a solid basis for qualification, the Philippines' analysis highlighted the importance of an appointment of a professionally qualified accountant responsible for accrual-based AFSs. Professional accreditation encourages continuous professional development concerning knowledge of IPSASs and an international code of ethics for professional accountants.

Secondly, a solid institutional collaboration among state regulatory bodies such as the Department of State Accounts, Department of Public Finance, National Audit office, and professional accounting expertise such as ICASL is recognized. There are several parties engaged in the accrual accounting transitional process in Sri Lanka. The professional expertise, the ICASL who formulated SLPSASs, does not have the authority to promulgate accounting law. Under the Minister of Finance, the Department of Public Finance is the authoritative body to promulgate accounting law in Sri Lanka. However, in the Philippines, COA, responsible for making the annual accounts, could formulate accounting standards and promulgate accounting law. Therefore, COA in the Philippines, which led the reform, had the power to change the accounting law in the country to accommodate reform procedures. Furthermore, the leading institute of accrual accounting reform, the COA, had expert knowledge and lent their expert knowledge throughout the process. However, it is not ordinary for audit institutes to develop and issue public accounting standards and responsible for carrying accounting functions, which is a unique setup in the Philippines.

Finally, based on the transitional process's procedural gaps, the study identified core reform steps to be adopted in Sri Lanka. Training program for the accrual accounting change system to upgrade accounting staff's capacity and the knowledge regarding IPSAS based standards needed to be conducted rigorously and continuously. And it is also suggested to recommend the PSASB for harmonizing SLPSASs for the adaptation in the government sector. Furthermore,

revising or upgrading the financial regulatory manual to introduce new financial statement preparation formats, chart of accounts, and national public sector accounting standards is required.

The findings of this study also confirmed Luder's contingency theory on favorable or unfavorable conditions of institutional background that affect the accounting innovation process. It acknowledged deficiencies in the institutional arrangement, which did not form favorable conditions towards the change compared to the Philippines. Furthermore, the study revealed significant drawbacks in the human resource factor, which have resulted from the weak human resource policies that have contributed to the minor success of the reform. Therefore the study adds that the readiness towards an innovating accounting system had not been formed in Sri Lanka due to institutional drawbacks, mainly due to the education and training of accounting staff, and has had an unfavorable impact on the accrual accounting transitional process Sri Lanka.

Limitations

1. Promoting accrual accounting in developing countries is conditional. Although it is essential to identify how politicians understand the accrual accounting reform, it is also complicated. Therefore, this research focused only on the perspective of public officers as policy implementers and producers of information. It does not demonstrate the perception of politicians regarding the change to accrual accounting.
2. This study does not analyze socio-economic and political culture variables such as income level, education level of people, and degree of openness & participation in policy decisions by citizens in governmental decision-making, which influence users' basic attitudes and the information regarding its impact on the government accounting change model.

Recommendations for further research

This study contributed to some extent to solve the government's ample problems in accounting and financial management. More research is needed on multi-paradigm and multi-theory applications to construct multiple mediating and moderating factors on accounting innovations in Sri Lanka.

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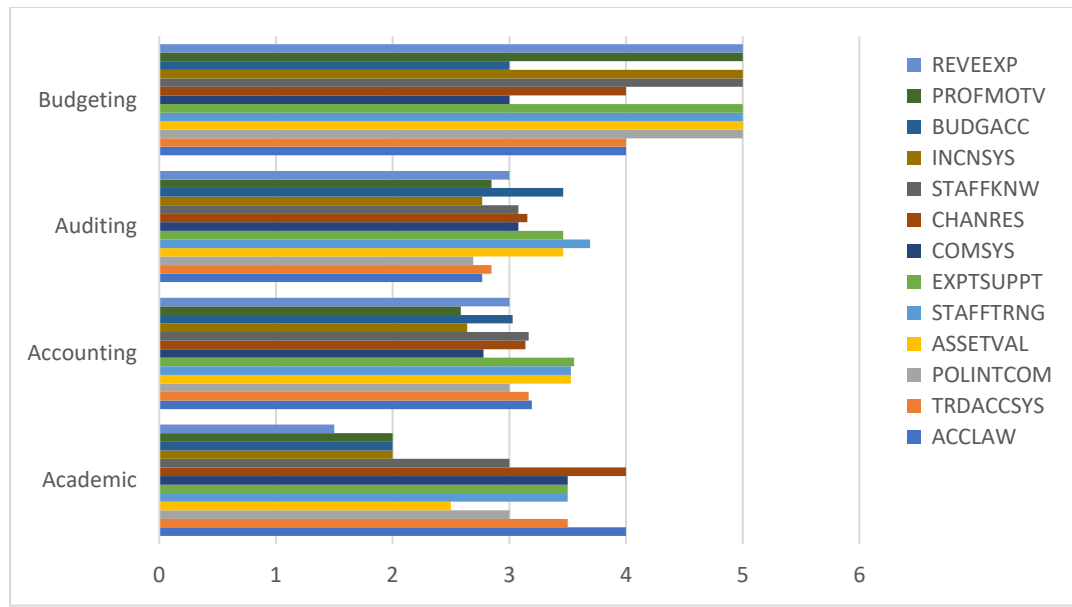
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APPENDICES

Appendix A: Demographic Results of Respondents' Choice of Preferences

Figure A.1 Respondents' Choice of Mean Value on Each Barrier



Source: Compilation by the author.

Figure A.1 is a graphical illustration of respondents' choice of mean value on each barrier indicates no critical difference between the choice of preference in scaling of transitional barriers between the majority of population Auditors and Accountants.

Appendix B: Paired T-test Analysis - SPSS Data Tables

Table B.1 Lack of Staff Training & Development and Other Factors

| | | Paired Samples Test | | | | | | | |
|---------|-----------------------|---------------------|----------------|---|-------|-------|-------|-----------------|-------|
| | | Paired Differences | | 95% Confidence Interval of the Difference | | t | df | Sig. (2-tailed) | |
| | | Mean | Std. Deviation | Std. Error Mean | Lower | | | | Upper |
| Pair 1 | STAFFTRNG - EXPTSUPPT | .038 | .907 | .126 | -.214 | .291 | .306 | 51 | .761 |
| Pair 2 | STAFFTRNG - ASSETVAL | .096 | 1.053 | .146 | -.197 | .389 | .659 | 51 | .513 |
| Pair 3 | STAFFTRNG - CHANRES | .404 | 1.142 | .158 | .086 | .722 | 2.550 | 51 | .014 |
| Pair 4 | STAFFTRNG - STAFFKNW | .423 | .957 | .133 | .157 | .689 | 3.188 | 51 | .002 |
| Pair 5 | STAFFTRNG - ACCLAW | .462 | 1.260 | .175 | .111 | .812 | 2.642 | 51 | .011 |
| Pair 6 | STAFFTRNG - TRDACCYS | .481 | 1.244 | .173 | .134 | .827 | 2.786 | 51 | .007 |
| Pair 7 | STAFFTRNG - BUDGACC | .500 | 1.094 | .152 | .196 | .804 | 3.297 | 51 | .002 |
| Pair 8 | STAFFTRNG - REVEEXP | .615 | 1.223 | .170 | .275 | .956 | 3.628 | 51 | .001 |
| Pair 9 | STAFFTRNG - POLINTCOM | .635 | 1.428 | .198 | .237 | 1.032 | 3.204 | 51 | .002 |
| Pair 10 | STAFFTRNG - COMSYS | .712 | 1.210 | .168 | .375 | 1.048 | 4.240 | 51 | .000 |
| Pair 11 | STAFFTRNG - INCNSYS | .904 | 1.272 | .176 | .550 | 1.258 | 5.124 | 51 | .000 |
| Pair 12 | STAFFTRNG - PROFMOTV | .923 | 1.266 | .176 | .571 | 1.275 | 5.259 | 51 | .000 |

Source: Author's calculations using SPSS.

Table B.2 Lack of Expert Technical Knowledge & Guidance and Other Factors

| | | Paired Samples Test | | | | | | | |
|---------|-----------------------|---------------------|----------------|---|-------|-------|-------|-----------------|-------|
| | | Paired Differences | | 95% Confidence Interval of the Difference | | t | df | Sig. (2-tailed) | |
| | | Mean | Std. Deviation | Std. Error Mean | Lower | | | | Upper |
| Pair 1 | EXPTSUPPT - ASSETVAL | .058 | 1.178 | .163 | -.270 | .386 | .353 | 51 | .726 |
| Pair 2 | EXPTSUPPT - CHANRES | .365 | 1.205 | .167 | .030 | .701 | 2.187 | 51 | .033 |
| Pair 3 | EXPTSUPPT - STAFFKNW | .385 | .973 | .135 | .114 | .656 | 2.850 | 51 | .006 |
| Pair 4 | EXPTSUPPT - ACCLAW | .423 | 1.460 | .202 | .017 | .830 | 2.090 | 51 | .042 |
| Pair 5 | EXPTSUPPT - TRDACCYS | .442 | 1.349 | .187 | .067 | .818 | 2.364 | 51 | .022 |
| Pair 6 | EXPTSUPPT - BUDGACC | .462 | 1.275 | .177 | .107 | .817 | 2.610 | 51 | .012 |
| Pair 7 | EXPTSUPPT - REVEEXP | .577 | 1.334 | .185 | .206 | .948 | 3.120 | 51 | .003 |
| Pair 8 | EXPTSUPPT - POLINTCOM | .596 | 1.272 | .176 | .242 | .950 | 3.380 | 51 | .001 |
| Pair 9 | EXPTSUPPT - COMSYS | .673 | 1.184 | .164 | .344 | 1.003 | 4.101 | 51 | .000 |
| Pair 10 | EXPTSUPPT - INCNSYS | .865 | 1.329 | .184 | .495 | 1.235 | 4.696 | 51 | .000 |
| Pair 11 | EXPTSUPPT - PROFMOTV | .885 | 1.353 | .188 | .508 | 1.261 | 4.716 | 51 | .000 |

Source: Author's calculations using SPSS.

Table B.3 Difficulties in Asset Identification & Valuation and Other Factors

| | | Paired Samples Test | | | | | | | |
|---------|----------------------|---------------------|----------------|---|-------|-------|-------|-----------------|-------|
| | | Paired Differences | | 95% Confidence Interval of the Difference | | t | df | Sig. (2-tailed) | |
| | | Mean | Std. Deviation | Std. Error Mean | Lower | | | | Upper |
| Pair 1 | ASSETVAL - CHANRES | .308 | 1.292 | .179 | -.052 | .667 | 1.718 | 51 | .092 |
| Pair 2 | ASSETVAL - STAFFKNW | .327 | 1.309 | .182 | -.038 | .691 | 1.800 | 51 | .078 |
| Pair 3 | ASSETVAL - ACCLAW | .365 | 1.482 | .206 | -.047 | .778 | 1.778 | 51 | .081 |
| Pair 4 | ASSETVAL - TRDACCYS | .385 | 1.430 | .198 | -.014 | .783 | 1.939 | 51 | .058 |
| Pair 5 | ASSETVAL - BUDGACC | .404 | 1.241 | .172 | .058 | .749 | 2.347 | 51 | .023 |
| Pair 6 | ASSETVAL - REVEEXP | .519 | 1.350 | .187 | .143 | .895 | 2.773 | 51 | .008 |
| Pair 7 | ASSETVAL - POLINTCOM | .538 | 1.290 | .179 | .179 | .898 | 3.009 | 51 | .004 |
| Pair 8 | ASSETVAL - COMSYS | .615 | .993 | .138 | .339 | .892 | 4.468 | 51 | .000 |
| Pair 9 | ASSETVAL - INCNSYS | .808 | 1.585 | .220 | .367 | 1.249 | 3.675 | 51 | .001 |
| Pair 10 | ASSETVAL - PROFMOTV | .827 | 1.279 | .177 | .471 | 1.183 | 4.662 | 51 | .000 |

Source: Author's calculations using SPSS.

Table B.4 Resistance to Change and Other Factors

| | | Paired Samples Test | | | | | | | |
|--------|---------------------|---------------------|----------------|---|-------|------|-------|-----------------|-------|
| | | Paired Differences | | 95% Confidence Interval of the Difference | | t | df | Sig. (2-tailed) | |
| | | Mean | Std. Deviation | Std. Error Mean | Lower | | | | Upper |
| Pair 1 | CHANRES - STAFFKNW | .019 | .918 | .127 | -.236 | .275 | .151 | 51 | .881 |
| Pair 2 | CHANRES - ACCLAW | .058 | 1.259 | .175 | -.293 | .408 | .330 | 51 | .742 |
| Pair 3 | CHANRES - TRDACCYS | .077 | 1.355 | .188 | -.300 | .454 | .409 | 51 | .684 |
| Pair 4 | CHANRES - BUDGACC | .096 | .955 | .132 | -.170 | .362 | .726 | 51 | .471 |
| Pair 5 | CHANRES - REVEEXP | .212 | 1.405 | .195 | -.180 | .603 | 1.086 | 51 | .283 |
| Pair 6 | CHANRES - POLINTCOM | .231 | 1.381 | .191 | -.154 | .615 | 1.205 | 51 | .234 |
| Pair 7 | CHANRES - COMSYS | .308 | 1.001 | .139 | .029 | .586 | 2.217 | 51 | .031 |
| Pair 8 | CHANRES - INCNSYS | .500 | 1.379 | .191 | .116 | .884 | 2.614 | 51 | .012 |
| Pair 9 | CHANRES - PROFMOTV | .519 | 1.276 | .177 | .164 | .874 | 2.935 | 51 | .005 |

Source: Author's calculations using SPSS.

Table B.5 Lack of Adequate Accounting Knowledge on Accounting and Other Factors

| | | Paired Samples Test | | | | | | | |
|--------|----------------------|---------------------|----------------|---|-------|------|-------|-----------------|-------|
| | | Paired Differences | | 95% Confidence Interval of the Difference | | t | df | Sig. (2-tailed) | |
| | | Mean | Std. Deviation | Std. Error Mean | Lower | | | | Upper |
| Pair 1 | STAFFKNW - ACCLAW | .038 | 1.252 | .174 | -.310 | .387 | .222 | 51 | .826 |
| Pair 2 | STAFFKNW - TRDACCYS | .058 | 1.335 | .185 | -.314 | .429 | .312 | 51 | .757 |
| Pair 3 | STAFFKNW - BUDGACC | .077 | 1.082 | .150 | -.224 | .378 | .513 | 51 | .610 |
| Pair 4 | STAFFKNW - REVEEXP | .192 | 1.172 | .163 | -.134 | .519 | 1.183 | 51 | .242 |
| Pair 5 | STAFFKNW - POLINTCOM | .212 | 1.362 | .189 | -.168 | .591 | 1.120 | 51 | .268 |
| Pair 6 | STAFFKNW - COMSYS | .288 | 1.160 | .161 | -.035 | .612 | 1.793 | 51 | .079 |
| Pair 7 | STAFFKNW - INCNSYS | .481 | 1.163 | .161 | .157 | .805 | 2.981 | 51 | .004 |
| Pair 8 | STAFFKNW - PROFMOTV | .500 | 1.321 | .183 | .132 | .868 | 2.729 | 51 | .009 |

Source: Author's calculations using SPSS.

Table B.6 Accounting Standards Are Not Mandated by Law and Other Factors

| | | Paired Samples Test | | | | | | | | |
|--------|--------------------|---------------------|----------------|-----------------|---|-------|-------|----|-----------------|--|
| | | Paired Differences | | | | | | | | |
| | | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | t | df | Sig. (2-tailed) | |
| | | | | | Lower | Upper | | | | |
| Pair 1 | ACCLAW - TRDACCYS | .019 | 1.196 | .166 | -.314 | .352 | .116 | 51 | .908 | |
| Pair 2 | ACCLAW - BUDGACC | .038 | 1.204 | .167 | -.297 | .374 | .230 | 51 | .819 | |
| Pair 3 | ACCLAW - REVEEXP | .154 | 1.334 | .185 | -.218 | .525 | .832 | 51 | .410 | |
| Pair 4 | ACCLAW - POLINTCOM | .173 | 1.410 | .196 | -.220 | .566 | .885 | 51 | .380 | |
| Pair 5 | ACCLAW - COMSYS | .250 | 1.384 | .192 | -.135 | .635 | 1.302 | 51 | .199 | |
| Pair 6 | ACCLAW - INCNSYS | .442 | 1.274 | .177 | .088 | .797 | 2.503 | 51 | .016 | |
| Pair 7 | ACCLAW - PROFMOTV | .462 | 1.093 | .152 | .157 | .766 | 3.045 | 51 | .004 | |

Source: Author's calculations using SPSS.

Table B.7 Tight Traditional Cash-Based System and Other Factors

| | | Paired Samples Test | | | | | | | | |
|--------|----------------------|---------------------|----------------|-----------------|---|-------|-------|----|-----------------|--|
| | | Paired Differences | | | | | | | | |
| | | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | t | df | Sig. (2-tailed) | |
| | | | | | Lower | Upper | | | | |
| Pair 1 | TRDACCYS - BUDGACC | .019 | 1.365 | .189 | -.361 | .399 | .102 | 51 | .919 | |
| Pair 2 | TRDACCYS - REVEEXP | .135 | 1.344 | .186 | -.239 | .509 | .723 | 51 | .473 | |
| Pair 3 | TRDACCYS - POLINTCOM | .154 | 1.334 | .185 | -.218 | .525 | .832 | 51 | .410 | |
| Pair 4 | TRDACCYS - COMSYS | .231 | 1.352 | .187 | -.146 | .607 | 1.231 | 51 | .224 | |
| Pair 5 | TRDACCYS - INCNSYS | .423 | 1.405 | .195 | .032 | .814 | 2.171 | 51 | .035 | |
| Pair 6 | TRDACCYS - PROFMOTV | .442 | 1.211 | .168 | .105 | .780 | 2.633 | 51 | .011 | |

Source: Author's calculations using SPSS.

Table B.8 Inconsistency Between Budget & Accounting and Other Factors

| | | Paired Samples Test | | | | | | | | |
|--------|---------------------|---------------------|----------------|-----------------|---|-------|-------|----|-----------------|--|
| | | Paired Differences | | | | | | | | |
| | | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | t | df | Sig. (2-tailed) | |
| | | | | | Lower | Upper | | | | |
| Pair 1 | BUDGACC - REVEEXP | .115 | 1.166 | .162 | -.209 | .440 | .714 | 51 | .479 | |
| Pair 2 | BUDGACC - POLINTCOM | .135 | 1.299 | .180 | -.227 | .496 | .747 | 51 | .458 | |
| Pair 3 | BUDGACC - COMSYS | .212 | 1.109 | .154 | -.097 | .520 | 1.376 | 51 | .175 | |
| Pair 4 | BUDGACC - INCNSYS | .404 | 1.225 | .170 | .063 | .745 | 2.377 | 51 | .021 | |
| Pair 5 | BUDGACC - PROFMOTV | .423 | .977 | .136 | .151 | .695 | 3.122 | 51 | .003 | |

Source: Author's calculations using SPSS.

Table B.9 Absence of Direct Link Between Revenue & Associated Expenses and Other Factors

| | | Paired Samples Test | | | | | | | | | |
|--------|---------------------|---------------------|----------------|-----------------|---|-------|-------|----|------|----|-----------------|
| | | Paired Differences | | | | | | | t | df | Sig. (2-tailed) |
| | | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | | | |
| | | | | | Lower | Upper | | | | | |
| Pair 1 | REVEEXP - POLINTCOM | .019 | 1.475 | .205 | -.391 | .430 | .094 | 51 | .925 | | |
| Pair 2 | REVEEXP - COMSYS | .096 | 1.287 | .179 | -.262 | .455 | .539 | 51 | .592 | | |
| Pair 3 | REVEEXP - INCNSYS | .288 | 1.289 | .179 | -.070 | .647 | 1.614 | 51 | .113 | | |
| Pair 4 | REVEEXP - PROFMOTV | .308 | 1.001 | .139 | .029 | .586 | 2.217 | 51 | .031 | | |

Source: Author's calculations using SPSS.

Table B.10 Lack of Political Interest & Commitment and Other Factors

| | | Paired Samples Test | | | | | | | | | |
|--------|----------------------|---------------------|----------------|-----------------|---|-------|-------|----|------|----|-----------------|
| | | Paired Differences | | | | | | | t | df | Sig. (2-tailed) |
| | | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | | | |
| | | | | | Lower | Upper | | | | | |
| Pair 1 | POLINTCOM - COMSYS | .077 | 1.355 | .188 | -.300 | .454 | .409 | 51 | .684 | | |
| Pair 2 | POLINTCOM - INCNSYS | .269 | 1.359 | .188 | -.109 | .648 | 1.428 | 51 | .159 | | |
| Pair 3 | POLINTCOM - PROFMOTV | .288 | 1.377 | .191 | -.095 | .672 | 1.511 | 51 | .137 | | |

Source: Author's calculations using SPSS.

Table B.11 Cost of Installing the Modern Computerized System and Other Factors

| | | Paired Samples Test | | | | | | | | | |
|--------|-------------------|---------------------|----------------|-----------------|---|-------|-------|----|------|----|-----------------|
| | | Paired Differences | | | | | | | t | df | Sig. (2-tailed) |
| | | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | | | |
| | | | | | Lower | Upper | | | | | |
| Pair 1 | COMSYS - INCNSYS | .192 | 1.387 | .192 | -.194 | .578 | 1.000 | 51 | .322 | | |
| Pair 2 | COMSYS - PROFMOTV | .212 | 1.054 | .146 | -.082 | .505 | 1.447 | 51 | .154 | | |

Source: Author's calculations using SPSS.

Table B.12 Incentive System and Other Factors

| | | Paired Samples Test | | | | | | | | | |
|--------|--------------------|---------------------|----------------|-----------------|---|-------|------|----|------|----|-----------------|
| | | Paired Differences | | | | | | | t | df | Sig. (2-tailed) |
| | | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | | | |
| | | | | | Lower | Upper | | | | | |
| Pair 1 | INCNSYS - PROFMOTV | .019 | 1.111 | .154 | -.290 | .329 | .125 | 51 | .901 | | |

Source: Author's calculations using SPSS.

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Impacts of corruption on international trade:
The case of bilateral trade between Vietnam and its Asia-Pacific Economic
Cooperation (APEC) partners

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Abstract

There is no empirical research about the causality of corruption and foreign trade in Vietnam and its causes, leading to inconsistent anti-corruption programs in the Vietnamese foreign trade process. Hence, this study employs mixed methods in data gathering and analysis to investigate that causal relationship. The two gravity models for imports and exports are evaluated using panel GLS on bilateral trade data between Vietnam and its APEC trading partners from 2000 to 2019. The regression analysis provides empirical evidence of the causal relationship between corruption and international trade. Meanwhile, the interviews contain a small number of homogeneous interviewees provide relevant analysis and discussion about the causes of that causality. The study reveals that corruption hampers severely and significantly import flows but impacts inconsiderably on export flows. Some central causes of corruption and its challenges in conducting anti-corruption programs are also shown, which may devote to designing better and practical anti-corruption policies. The findings disclose sources of corruption that mitigate the imports, including the complicated and overlapping trade regulations, the diversification of tariff systems, the Asian culture of giving-receiving gifts, the incomplete implementation of some trade

reforms, the role of intermediaries and the inadequate wage of public officials.

Interestingly, even though the influence of corruption on exports is not grave,

favoritism is likely to facilitate the export flows in some exceptional cases, such as

exploiting natural resources and the dominance of SOEs.

Keywords: corruption, international trade, gravity model, Vietnam, APEC,

causality, Asian culture, intermediaries, favoritism, natural resources, SOEs.

Impacts of corruption on international trade:
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List of Acronyms

| | |
|----------|---|
| AC | Anti-corruption |
| ACAs | Anti-corruption Agencies |
| APEC | Asia-Pacific Economic Cooperation |
| ASEAN | Association of Southeast Asian Nations |
| CENSOGOR | Centre for Social Governance Research |
| COC | Codes of Conduct |
| CPI | Corruption Perception Index |
| CPTPP | Comprehensive and Progressive Agreement for Trans-Pacific Partnership |
| CPV | Communist Party of Vietnam |
| EC | European Commission |
| EU | European Union |
| FTAs | Free Trade Agreements |
| GDP | Gross Domestic Product |
| GDVC | General Department of Vietnam Customs |
| GLS | Generalized Least Squares |
| HS | Harmonized System |
| ICC | International Chamber of Commerce |
| ICDs | Inland Container Depots |
| IT | Information Technology |
| MOIT | Ministry of Industry and Trade of Vietnam |
| NGO | Non-Government Organization |
| NORAD | Norwegian Agency for Development Cooperation |
| NSW | National Single Window |
| OECD | Organization for Economic Co-operation and Development |
| OGAs | Other Government Agencies |
| OLS | Ordinary Least Squares |
| PCI | Provincial Competitiveness Index |
| RCEP | Regional Comprehensive Economic Partnership |
| SEGs | State Economic Groups |

| | |
|--------|--|
| SMEs | Small and Medium Enterprises |
| SOEs | State-owned Enterprises |
| TI | Transparency International |
| UN | United Nations |
| UNCAC | United Nations Convention Against Corruption |
| UNDP | United Nations Development Programme |
| UNGCO | United Nations Global Compact Office |
| UNODC | United Nations Office on Drugs and Crime |
| US | United States |
| VASSCM | Viet Nam Automated System for Customs Management |
| VBF | Vietnam Business Forum |
| VCB | Vietnam Corruption Barometer |
| VCCI | Vietnam Chamber of Commerce and Industry |
| VCIS | Vietnam Customs Intelligence Information System |
| VNACCS | Vietnam Automated Cargo Clearance System |
| VND | Vietnam Dong |
| WB | World Bank |
| WCO | World Customs Organization |
| WEF | World Economic Forum |
| WTO | World Trade Organization |

CHAPTER 1: INTRODUCTION

1.1. Background of the study

*“Corruption is among the greatest obstacles to economic and social development around the world”*¹ (World Bank, 2010) might be a favorite used quote while people are speaking about corruption and its effect. However, there is no consensus among researchers, especially economists, about the impact of corruption on national economic development. In the term of international trade, the empirical findings are mixed as well.

There have been empirical studies that reported the detrimental effect of corruption on economic growth (Shleifer & Vishny, 1993; Mauro, 1995; Méon & Sekkat, 2005). According to World Bank’s (2010) estimates, the cost of fraud and bribery to developing countries is about 20 to 40 billion US dollars each year. Moreover, corruption has been also shown to be the impediment to international trade in the majority of economies; this phenomenon is known as the “sand the wheels” effect (Anderson & Marcouiller, 2002; Fisman & Wei, 2004; Helble et al., 2007; Shepherd, 2009; Hosseini, 2011; Ali & Mdhillat, 2015; Wang et al., 2018; Narayan & Minh, 2019). Organization for Economic Co-operation and Development (OECD, 2017) stated that the lack of integrity and corrupt-related costs are “hampering” international trade. In addition, the customs revenue at all World Customs Organization (WCO) members has lost at least 2 billion US dollars per year because of the customs’ corruption.

Notwithstanding that the result seems to be expected in common, some empirical studies have found paradoxical effects. In some cases, bribery is known as a disadvantage, sometimes not (Lambsdorff, 1997). Leff (1964) and Huntington (1968) argued that corruption might benefit economic growth because firms can bribe to bypass the bureaucratic administration. Svensson (2005) stress that by the diversity of corrupt forms, it is not certain to conclude that all corruption types will lead to harmful to growth. Dealing with a high tariff environment, corruption might

¹ <https://www.worldbank.org/en/news/feature/2010/12/06/corruption-hunters-rally-for-action-against-fraud>

help expand the trade volume by avoiding the tariff barrier, which they call the “evasion effect” (Dutt & Traca, 2009). In inefficient customs organizations and bureaucratic systems, bribing public officials might speed up the importing process (Jong & Bogmans, 2010; Thede & Gustafson, 2012; Gil-Pareja et al., 2019). The positive or negative impact of corruption may differ according to the exporting country and the importing country (Jong & Bogmans, 2010). Summing up, as the theoretical arguments to date above, the effect of corruption on growth of international trade is inconclusive and the two-way effect might happen.

As for Vietnam in particular, *Đổi Mới* (translated as Revolution) in 1986 with the radical reforms in both political and economic policy was a memorial milestone for Vietnam's development. Since then, its open oriented economy has been growing significantly and drove Vietnam from a low-income country to a middle-income country. Vietnam oriented its trading policies to external economic relations, being a member of Association of Southeast Asian Nations (ASEAN) since 1995, World Trade Organization (WTO) since 2007, and through its participation in free trade agreements that has led to noticeable growth in trade. Vietnam has implemented various trade reforms and programs to attract foreign investment and encourage entrepreneurs to do their business. As a result, the total of Vietnam's trade value in goods and services has contributed a considerable proportion to its gross domestic product. Moreover, it is important to notice the vital contribution to Vietnam's foreign trade from the Asia-Pacific region², especially Asia-Pacific Economic Cooperation (APEC)³. All APEC economies are comprehensive and strategic trade partners of Vietnam. Vietnam – APEC regional import and export cover 68% and 77% on average respectively of Vietnam's foreign trade. This upward trend is expected to continue and boost the rising of Vietnam's export, under the circumstance of the Comprehensive and Progressive Agreement

² World Trade Organization. 2013. Trade policy review Report by the Secretariat: Viet Nam, p.8

³ A regional trade and economic forum established in 1989, including 21 economies namely Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Philippines; Russia; Singapore; Chinese Taipei; Thailand; The United States; Viet Nam. <https://www.apec.org/>

for Trans-Pacific Partnership⁴ (CPTPP or TPP-11) that came into force on 30th December 2018, and the Regional Comprehensive Economic Partnership⁵ (RCEP) agreement that was signed on 15th November 2020.

Despite the economic growth and political bright spots in the last decade, Vietnam has still been considered as a high risk of corrupt country. Although the Vietnamese Communist Party (CPV) and its government's political determination to combat corruption are highly appreciated, there is still a consensus and critical concern from several distinguishing sources about that crucial issue in Vietnam and its impacts on socio-economic development. According to Transparency International, Vietnam's Corruption Perception Index (CPI) in 2019 improved, but corruption is still a "serious problem", and maybe a critical backward step to Vietnam development. There are surveys of corruption in the public sector as well as in the private sector. These surveys have been focusing, however, on identifying the popularity of corruption and informal payment, its forms and causes, and has been trying to indicate public actors who are involved in corrupt actions. There are also several empirical studies about the impact of corruption on economic growth, foreign direct investment, business environment, or firm development, but not international trade. When studying import or export empirically, the researchers seem to ignore that variable and focus on the others such as gross domestic product, exchange rate, market size, openness, or trading partners. In reality, when speaking about corruption in the trading process, all assumptions come to negative influences. Also, they blame customs as the main corrupt actor, and corrupt-related customs is the only obstacle that needs to solve to improve the international trade in Vietnam. Hence, almost all recent anti-corruption solutions in trading across the border are concentrating on customs workforce.

Indeed, the Vietnam customs has detected severe corrupt cases in the form of distortion and evasion; then it cannot eradicate easily the bad image of customs official out of people's minds. However, it must be noted that the complex global

⁴ A trade agreement between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam

⁵ A free trade agreement of Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, South Korea, Thailand, and Vietnam

supply chain is characterized by different stakeholders in both private and public sectors at national and international level. More importantly, intermediaries and other government agencies (OGAs) play essential roles in the trading process, but being also vulnerable players to corruption (OECD, 2017). Since there is, however, no empirical research about the cost of corruption to foreign trade value in Vietnam as well as the causes and challenges of inefficient anti-corruption strategies, it may lead to inconsistent directions of anti-corruption strategy and trade facilitation.

1.2. Problem statement

As of the moment, most of the policies and programs targeted at preventing and detecting corruption in import-export processes are based on the assumption of absolutely negative effect and the main target is customs and the customs workforce. For its part, the General Department of Vietnam Customs (GDVC) has been completing its anti-corruption legal framework and running several policies to tackle extortion and evasion in their systems in order to improve their service quality. Moreover, perceiving the crucial role in collecting revenue, facilitating global trade and protecting national borders, GDVC is acting in the role of a coordinator of pooled stakeholders to combat smuggling and illegal import-export activities, implement trade facilitation, and reinforce integrity in the supply chain. Indeed, these efforts have achieved some sweet results, including the decrease of corruption, but not as expected, unfortunately.

It is important to speak out that if only customs impose anti-corruption solutions and programs for its officials, it is not enough to clean the foreign trade environment. It must be followed by a comprehensive and coherent anti-corruption program that involves all trading stakeholders in both private and public sectors at national and international levels. All partners should share the same insight and responsibility, promote collective action commitments to achieve a clean trade, and push up trade flows. Otherwise, all efforts of GDVC would end in failure.

Therefore, the call for empirical research about the cost of corruption to Vietnam foreign trade and a detailed analysis of challenges for implementing effective anti-corruption solutions in trading across Vietnam borders is essential. More importantly, the integrity and the fight against corruption in the next wave of

globalization are considered among the most critical issues to enhance economic growth. The relocation trend of manufacturing factories of large corporations from China, the largest manufacturing country, toward Southeast Asia countries during and after the novel pandemic COVID-19 is an opportunity but also a challenge for Vietnam. How to make the business environment cleaner to attract, and then develop foreign direct investment and foreign trade flow have become major challenges for the Vietnamese government.

1.3. Research objective

If Vietnam wants to enhance and expand its share in the global trade, it is crucial to know what and how factors contribute significantly to it. Does corruption influence substantially on Vietnam's trade? If it is, then what are the causes behind it? This study's objective is originally to test whether a lower perception corruption level is associated with higher or lower foreign trade growth in Vietnam. Is there any difference in the impact of corruption on export and import flow? Are there differences among importing and exporting country? By using macro and international data for Vietnam and its comprehensive trade partners in APEC and by running empirical economic estimators, the study will specify the cost of corruption to the international trade value. It then will expand into investigating the causes making the causality. Is it the bureaucratic administration or tariff burden that forces the traders to bribe the officials to facilitate the trading process? Or does it come from the payer side? Is the anti-corruption legal framework weak or the implementation in reality ineffective? A concrete study of corruption's influence on trade may benefit Vietnam in formulating anti-corruption policies and guidelines consistent with its trade facilitation policies.

1.4. Research questions

Main question: How does corruption influence the trade flows between Vietnam and its APEC partners?

Sub-questions:

- a. What is the causal relation between corruption and bilateral trade of Vietnam and other APEC economies?
- b. What are the causes?

1.5. Significance of the Study

There is no study measuring the impact of corruption on import and export flows in a model dealing with the endogenous issue of APEC economies, who are strategic trade partners of Vietnam. This study will target these literature gaps by using the data for the period from 2000 to 2019. As a matter of fact, investigating the cost of corruption on trade has been researched extensively around the world; it is, however, being ignored in Vietnam.

It is expected that the findings of this study will provide a fascinating insight into corruption's effect on foreign trade and the obstacles of anti-corruption behaviors in the trade process in Vietnam. The result may interest trade stakeholders such as customs, anti-corruption agencies, OGAs, traders, trade intermediaries, and development donors. Most importantly, the study hopes to contribute to the efforts of GDVC, as a coordinator of trade facilitation, in pushing up other stakeholder commitments on making a better business environment in Vietnam. This study is also expected to encourage further studies on the impact of corruption on Vietnam's international trade growth.

1.6. Outline of the Study

This research is presented in 6 chapters, including the introductory section as Chapter 1.

Chapter 2 presents the literature reviews of the background of corruption, the causal relationship between corruption and international trade, and the causes as experiences.

Chapter 3 discusses the current situation of corruption in Vietnam as well.

Chapter 4 explains the methodologies and design a research framework for the study.

Chapter 5 lays out the analysis and findings of the data, which answers the sub-questions, then proceeds to the discussion of the main question.

Chapter 6 concludes with a brief summary of the study, then provides some policy recommendations, limitations of the research, and suggestions for further research.

CHAPTER 2: CORRUPTION AND INTERNATIONAL TRADE

This chapter presents the concept of corruption and international trade in general. It then reviews all literature related to the causal relationship between corruption and international trade.

2.1. Concept of corruption

2.1.1. Definition of corruption

Corruption is a phenomenon that has attracted the concern and justice of people due to its relationship and consequence on other subjects for a long time. When speaking of forms or characteristics of corrupt actions, it is possible to share the same emotional reaction and insight. However, it is historically difficult to conclude a conclusive definition due to its broad spectrum of approaches, views, and purposes of scholars and policymakers (Andvig et al., 2000; Abjorensen, 2014; Forattini, 2020).

More specifically, socio-economic approaches can come from the distinction between economic and social views, which focuses on the behavior of individual. Forattini (2020) defines corruption as disputes of interest between two sides, the society and the private. The same author explains that as long as the controversy exists, there is always a compromise between private and whole social expectation. It is the residence of corruption that breaks the moral characteristic from the individual sense (Miller et al., 2005) and exchanges the culture and moral implications from the society (Andvig et al., 2000). Corruption at the point of economic view, however, has to connect consistently to the exchange of wealth or market situation.

Narrowing it down under the legal context, the European Commission (EC) states that corrupt action is an abuse of power for particular interests, violating the democratic society. It is considered as an illegal and illegitimate act. Miller et al. (2005), in contrast, argues that it is not essential to consider corruption as an unlawful action. From philosophical aspects, their ideal supports the view of a matter of morality fundamentally. Personal corruption and institutional corruption are pervert acts of a moral character and a morally legitimate institutional process, not only under the legal umbrella. Still, anthropological scholars argue that a

formulated definition has not been completed, leading to a narrow view of society on corruption. Corrupt behaviors vary from a culture to culture, from West to East. Local social norms or perceptions can shape that a particular action is corrupt or not, what matters is that misconduct is proved to exist or just believed (Andvig et al., 2000; Gephart, 2009:19; Forattini, 2020).

Additionally, the difficulty comes from the complex and overlapping relationship between politics and economics. In a broader picture, Huntington (1968) concludes that corruption happens when people attempt political power or wealth based on their favorite advantage. Meanwhile, Nye (1967:419) stated that corruption occurs when a public authority's act 'deviates from formal duties of public role' because of 'private-regarding pecuniary or status gain'. In the same sense, Shleifer and Vishny (1993:599) defined it below the shadow of government as 'the sale by a government official of government property for personal gain'. Other scholars, citing the view of Heidenheimer, stress the foundation of corruption coming from the transaction between the public officials and private sectors (Ackerman, 1978; Annis, 1990).

Corruption in the theory of rational choice introduced by Robert Klitgaard is claimed as a political economy problem when the public powers have 'monopolies, discretions, and lack of accountability' together (Gerphart, 2009:9; Abjorensen, 2014:23). It can be considered as 'the private wealth-seeking' by a state or public authority (Andvig et al., 2000:11). In that sense, the most popular definition these days states that corruption is *an abuse or misuse of public office or government power for private gain*, employed by the World Bank, United Nations (UN), and United Nations Development Programme (UNDP). Such definitions have emphasized the indispensable position of the public sphere in the corruption theory and restricted themselves to public sector.

It, however, is criticized as 'narrow and inadequate' descriptions that may lead to bias conclusions and policy suggestions (Geoffrey & Jiang, 2007:1043). It is believed that the reality of corruption happening in the private sector is restricted from those definitions (Gephart, 2015; Geoffrey & Jang, 2007; Abjorensen, 2014). Researching in the business environment, Svensson (2005) points out that

corruption can occur between firms themselves in the form of collusion or misuse of a firm's properties. Along this line, Geoffrey and Jang (2007) provide evidence that the private sphere's bribery has been ignored by both economists and politicians due to their black swan theory and varying approaches of setting out the boundary between public and private sectors. It is the nature of corruption itself that corrupt acts occur inside any sectors or groups, regardless of the developed level of the countries, and does not respect the boundaries of sectors at all. 'Corruption affects developed and developing countries alike, and complicity knows no borders'⁶, as the Secretary-General of UN, António Guterres said. In the same sense, United Nations Office on Drugs and Crime (UNODC) states also that corruption exists in various forms, different kinds of government's structure, economic markets, and sectors (UNODC, 2003).

Filling the literature gap above, another favorite well-used definition is '*the abuse of entrusted power for private gain*'⁷, published by Transparency International, a well-recognized Non-Governmental Organization (NGO) actively combating corruption around the world. This definition is also the predominate understanding in the international fighting against corruption world that is followed by the World Economic Forum (WEF), United Nations Global Compact (UNGC), International Chamber of Commerce (ICC) as well. From the foregoing, it can be seen that the TI concept is much broader compared to such others above. The 'entrusted power' here involves not only public officials in state institutions but the actors of private organizations. The abusive actions happen in the transactions between public and private sphere as well as within the private sector itself (Svensson, 2005; Abjorensen, 2014). This description may be criticized as 'very broad' and 'a condemnation of an entire political system' (Gephart, 2015:16) but, be that as it may, it seems appropriate for global trade content. The complexity of international trade creates 'additional vulnerabilities to corruption for both the public and private sectors', whereas the additional stakeholders involved in the

⁶ <https://www.globaltrademag.com/tackling-corruption-in-the-trading-system-through-a-culture-of-integrity/>

⁷ Transparency International. <https://www.transparency.org/en/what-is-corruption>

global supply chain such as intermediaries, trade agents ‘create an additional opportunity for seeking rents from global supply chains’, as OECD (2017:23) reported.

Hence, this study will adopt the broader definition of corruption in the first place. It will argue about the corrupt acts occur in both public and private sectors involved in foreign trade and, more importantly, it will discuss the challenges to AC strategy on both sides.

2.1.2. Forms of corruption

From various reports of researchers and organizations on the forms or types of corruption, multiple forms of corruption have come to light. By its nature, such forms can be categorized by type of conduct, the field, or public level in which the corrupt act is involved. It cannot be easy to present all the forms; hence, this part will focus on some popular forms based on the literature review.

In the manner of the act, corruption can come in the forms of bribery, embezzlement, fraud, extortion, and favoritism. *Bribery* is ‘promising, offering or giving ...or the soliciting or accepting...an undue advantage’ aiming to entrusted power people act or restrain from acting in breach of their duties (UNODC, 2004:17). This form may be prevalent among all existing forms of corruption, and it then may lead to other forms. The objective of these actions is a public official or any person who works for a private organization. It is known by different name, like speed or grease money, valuable gift, unofficial payment, company share, information, sexual or other favor entertainments. Of course, bribery has its target, for instance trading in influence, trading information, avoiding taxes, supporting fraud, facilitating criminal actions or playing unfair competition. In addition, regarding globalization and international business, OECD (1997) and UNODC (2004) have shown their profound concern for the bribery of foreign public officials in international business transactions and they have action by detailing this corrupt behavior in their conventions of AC.

Meanwhile, *embezzlement and fraud* are both related to the theft of an institution’s property or valuable items, which are acted by its employees or someone who has the right to administer those properties. There is, however, a

difference between the two forms. While embezzlement is a severe offense connected to the items directly, fraud is an economic crime that consists of the misleading or tricky use of information, fact, or expertise by an entrusted person to draw his private profit (UNODC, 2003). Fjeldstad et al. (2000) document similar descriptions but claim fraud is broader than bribery and embezzlement. His strong focus on public official employs the principal-agent theory, where the agent is the fraudulent public official seeking for benefit when doing the orders of his superior - the principal.

Additionally, corruption can be formed as *extortion* when connecting to the level of coercion. It, somehow, associates with acts using violence, threat, or force to induce cooperation from the victims. Extortion can occur in daily life, such as the protection of gangs or mafia groups for small businesses in exchange for money (Andvig et al., 2000), or else in the public sector when public officials try to extort their clients or citizens to get a benefit. It, in an opposite way, can also come from the citizen or businessman himself when he blackmails the public official into earning his benefit (UNODC, 2003). Being a little different from above, favoritism is natural of a human when he abuses the discretion and power to favor biased distribution of resources. Such abuses, be that as it may, are influenced by not only his self-interest but the interest of other related people, like family members, superiors, friends, politicians.

Another important classification is between *public and private corruption* (Cuervo-Cazurra, 2016). Public corruption relates to a political people and public official that exploits their trump card in exchange for giving a company or individual a privilege. Meanwhile, private corruption happens within or between companies or organizations and its suppliers and consumers, when its managers relate to actions for obtaining benefits in exchange for giving another company or individual a benefit.

For public corruption, it can be categorized as political-bureaucratic or grand-petty corruption. *Grand corruption* is ‘the abuse of high-level power that benefits the few at the expense of the many and causes serious and widespread harm

to individuals and society'⁸, as TI's definition. It refers to corrupt acts of individuals at the high positions of public institutions and the top senior management of businesses to extract a considerable bribe or embezzle a large amount of money. It might also be called political corruption if correlated specifically with benefit to political parties in formulating policies or legislation (Andvig et al., 2000; Abjorensen, 2014). In contrast, *petty corruption* (or maybe known as bureaucratic corruption) is the most common daily corrupt act that happens at implementing laws, rules or regulations, in exchange for a small amount of money. It is not easy to draw the line connecting the end of petty corruption with grand corruption. Still, the most crucial difference between the two is that grand corruption 'involves the distortion or corruption of the central functions of Government' (UNODC, 2003:29). At the same time, the former one exists at the lower level of governance and social frameworks.

Also, corruption can be distinguished between systemic and individual or spontaneous and institutionalized corruption, as Abjorensen (2014) argued. According to him, spontaneous corruption is related to an individual's immoral behavior oneself, and happens in a well-developed ethics; whereas, the latter develops and exists in a society where the corrupt acts are prevalent and normal, and may not be recognized as an obstacle.

As the argument above has shown, we can see obviously that the forms of corruption and its prevalence vary from contextual factors to the level of social and governing development. This study, therefore, will focus only on discussing some of these forms. They are petty corruption, but not grand corruption; bribery and fraud, extortion and favoritism, but not embezzlement.

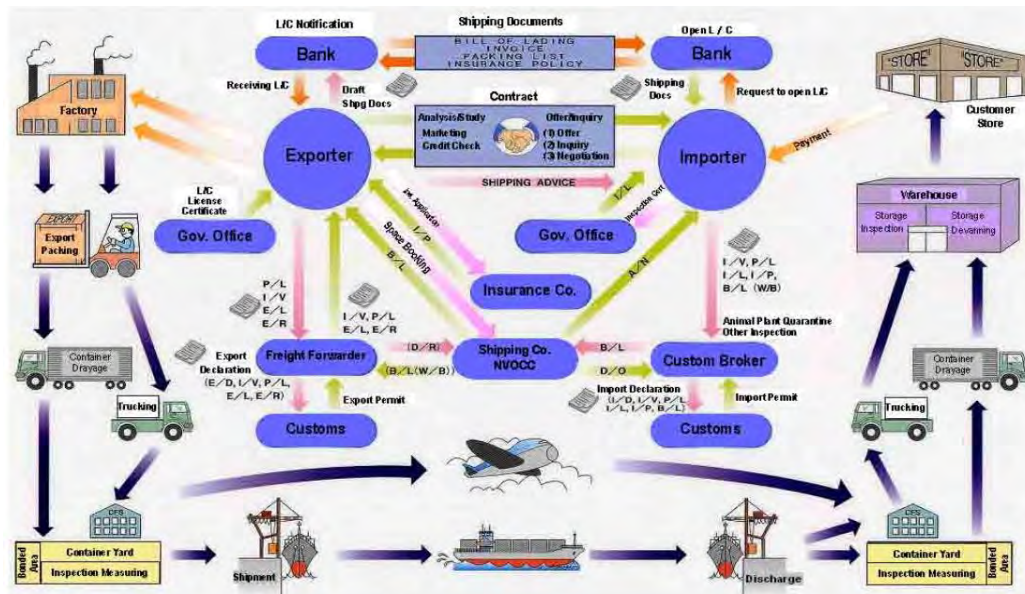
2.2. Corruption and International trade

2.2.1. The complexity of international trade

The international trade and global supply chain, which differs from the domestic trade, is inherently complicated and includes various additional players at both national and international levels (OECD, 2017). As listed in Trade Facilitation

⁸ Transparency International. (2020). <https://www.transparency.org/en/corruptionary/grand-corruption>

Implementation Guide by the UN, there are stakeholders from the public sectors as well as private sectors, like customers, suppliers, intermediaries, and authorities. Besides exporter, importer, and customs, of course, we need to notice the critical role of OGAs (such as health-agricultural quarantine, veterinary, standards, port authority) and intermediaries like customs brokers, shipping agents, freight forwarders, banks, warehouses. It can be seen clearly and virtually in figure 2.1 below.



Source: Ted Kawamura, Japan Shippers' Association

Figure 2.1. International trade process in general (Source: Japan International Cooperation Association – JICA 2008)

2.2.2. The characteristics of corruption in international trade

2.2.2.1. Including any sector, anyone

As mentioned previously, corruption can occur secretly at any location, in any sector, and can involve anyone. Even though there seems to be a general consensus for these characteristics, it is more complicated when analyzing corruption in international trade. The crucial contribution of international trade to the growth of the development of countries, global economy and society cannot be denied, despite the slowdown recently. Thus, promoting AC actions will benefit not only the economy but the fairness and sustainability for the community. However, comprehensive AC strategy is not an easy task.

From the preceding, it can be seen that corruption can exist in every phase of export-import procedures. Indeed, customs is the most related actor in this process, then de facto corruption at customs workforce should be analyzed elaborately. Fjeldstad et al. (2020) reports the first characteristic of corruption in customs is the discretionary power according to its function. Sharing the same line, Thede and Gustafson (2012) call it border location of corruption. Complex regulations in the trading procedure and high tariff are significant incentive conditions for customs officers to extort facilitative payment from traders. If there is no way to circumvent the procedure and avoid the higher tax rate, bribery of customs authorities may be an option.

Furthermore, within the global supply chain that requires delivery on time as a priority, the monopoly power in the decision to clear the consignment at the border encourages systematically customs agency to distort the clearance procedure (Ferreira et al., 2007). The same author also states that bribery or facilitative payment to customs officials may be accepted as a certain cost in trading across borders by exporters and importers in some countries, especially developing countries. Moreover, customs' procedures differ from other government agencies' procedures according to its function of national and social security. There are risk management systems and computerization that can reduce the interaction between customs officials and traders. Still, the direct contact between the two cannot be avoided in physical inspection to check if the good is contained as declared. Additionally, as shown by the study of Ferreira et al. (2007), border location of customs' offices is another critical condition for the discretion of officials and difficult supervision. In an environment of remote offices geographically and having a small staff, comprehensive control of corrupt behaviors becomes questionable.

Apparently, it is possible to analyze corruption in customs only, without touching other players in the global trading process. But such analysis is insufficient if taking a careful look at the characteristics of corruption in the global supply chain. Taking a broader view, OECD (2017) advances the corruption in international trade to other stakeholders, not customs only. Corrupt acts of OGAs' officials and those

working at borders or ports like port authorities and military are alleged in various forms. The same report cites cases of bribing public officials in the health and safety department to avoid the import or export license. Documenting a similar approach, Ferreira et al. (2007), taking Russia as an example, confines corruption to other border agencies, including sanitary inspections, veterinary, border police. Moreover, the confusion of traders about the whole procedure for consignment's release and about which government agencies are involved in the procedure stimulates them to bribe public officials for facilitating the smooth flows.

Transport sectors and logistics, for its part, are also payers bribing foreign public officials. Providing case evidences in West Africa and India, OECD (2017) claims that the road's checkpoints cause a significant delay in transporting export or import goods, which seriously affects the requirement of delivery on time in global commercial activities. Just the same, UNGC (2013) points out that police or local traffic authorities may require truck or container drivers for money instead of fines when checking or weighing the vehicles. The extortion may come from the officials themselves, or else the drivers actively bribe for violating road rules, lacking transportation documents, or overloading vehicles.

Finally, it needs to be mentioned that the corrupt issues of other intermediaries like customs brokers, freight forwarders, consultants, or joint venture partners, who are the bridge that facilitates international trade. The corrupt relationship happening here is not only public-private but *private-private* as well. The public-private corruption is only the tip of an iceberg (TI, 2009; Liu & Athanari, 2014; OECD, 2017). In an international business transaction, the corrupt risks between suppliers, customers, and intermediaries may increase severely. Local intermediaries, with the advantages of local market knowledge, might stimulate foreign investors in a corrupt relationship. The 'bad' intermediaries can also try to advance the public-private corruption for a better result of their services, aiming to defeat other competitors and attract more clients (TI, 2009; OECD, 2017).

2.2.2.2. The relationship of Givers and Recipients

It is important to stress the benefits of two sides in a corrupt situation. Indeed, corruption can come from the extortionist for such bribery, facilitative payment.

However, looking at the other side of the coin, givers or payers also benefit from such abuse of power. When paying, they assume that preferential treatments or privileges will be exchanged (Michel van Hulten, 2002). Yet, the abused power people themselves may be the victim of extortion if they are blackmailed back by the payer (UNODC, 2003). In international trade, this relationship becomes more and more complicated.

The commodity that trades across borders is not only ordinary goods but illicit and prohibited goods like drugs, narcotics, weapons, or large-scale smuggling of alcohol, cigarettes. Smuggling and trading these goods usually involve organized criminals, who are willing to use any means for achieving their evil purposes (Hors, 2001; UNODC, 2003; Ferreira et al., 2007; OECD, 2017; Fjeldstad et al., 2020).

Bribing extensively public officials secretly and calmly is the first choice. But if it does not go well, threat and violent actions will take place. Customs and other border agencies, whose function is border security and protection, are the targets of these criminals, of course. In such opportunities and pressures, public officials have a strong incentive to extort actively or accept the deal forcefully (OECD, 2017; Fjeldstad et al., 2020).

2.3. The causality between corruption and international trade

In fact, there have been debates on the effect of corruption on economic development as well as international trade. It is common sense that the detrimental impact or ‘sand the wheels’ effect happens when researching corruption and economic growth, but instead, the paradoxical effect occurs by the report of some studies. Thus, research leads to the questions to policymakers about what needs to be done with two-way findings.

2.3.1. Negative impact

The *negative impact* of corruption on economic and trade growth is documented in various studies and studies, especially from the view of anti-corruption approaches. The cost of fraud and bribery to developing countries is about 20 to 40 billion US dollars each year, World Bank (2010) reported. Meanwhile, in International Anti-Corruption Day 2019, WEF states that ‘corruption, bribery, theft and tax evasion, and other illicit financial flows cost developing

countries 1.26 trillion US dollars per year'⁹. In the same line, OECD (2017) concludes that 2 billion US dollars at least is lost in the customs revenue of all WCO members every year due to the corruption in the customs workforce. The lack of integrity between all trade stakeholders and corrupt-related costs are “hampering” international trade (OECD, 2017). The same report cited that corruption at the border is considered the key obstacle for both importing and exporting countries, especially in the low and middle incomes. According to a firm survey report by Controlled Risk, 30 percent of respondents said they have not conducted business at corrupt perception countries¹⁰.

Moreover, there is no lack of empirical evidence on the determinant of corruption on macroeconomic growth (Shleifer & Vishny, 1993; Mauro, 1995; Méon & Sekkat, 2005), microeconomic or firm level (Kaufman & Wei, 1999; Fisman & Svensson, 2000; Lu et al., 2019), and international trade (Anderson & Marcouiller, 2002; Fisman & Wei, 2004; Helble et al., 2007; Shepherd, 2009; Hosseini, 2011; Ali & Mdhillat, 2015; Wang et al., 2018; Narayan & Minh, 2019).

However, the findings in empirical research vary from region to region, from different types of tariff regimes to trade agreements, and from data to data. Anderson & Marcouiller (2002) find a 10% decrease in corruption leads to an increase by 5% in the volume of its imports when considering the data of 48 countries in 1996. Besides, it is noticed that developing countries seem to be affected more severely than developed countries by corruption (Shepherd, 2009; Ali & Mdhillat, 2015; Wang et al., 2018). Taking the delay time at border as a corrupt index, Shepherd (2009) concludes that if the trade time delays 10% more at border, the bilateral trade value goes down seriously by 15.3% in rampant corrupt countries. Sharing the same sense, Wang et al. (2018) advance that the imports and exports of developing countries escalate approximately two times higher than developed countries if their corruption index is better at the same level.

Another argument by Fisman & Wei (2004) shows that the tax evasion is higher for import goods with a higher tax rate when taking the tariff regime between

⁹ <https://www.weforum.org/agenda/2019/12/corruption-global-problem-statistics-cost/>

¹⁰ https://www.scmr.com/article/corruption_in_the_global_supply_chain_and_the_fear_factor

Hong Kong and its Mainland into account. Even if the tariff does not need to be considerable, in European Union (EU) for instance, corruption at the border that is derived from non-tariff barriers and technical requirements is still an obstacle for trade flows (Hosseini, 2011). It then causes a loss of around 132 billion US dollars every year within the EU, cited by WEF (2019). Quite interestingly, APEC has also documented the same effect that if its members' two dimensions of transparency - predictability and simplification – improve, the intra-APEC trade value will rise significantly by 7.5% or around 148 billion US dollars (Helble et al., 2007).

2.3.2. Ambiguous impact

The negative impact seems to be expected in common. However, as mentioned earlier, not every researcher agrees with that result. Some empirical studies have found conceivably the *positive influence or ambiguous impacts* of corruption on the growth of economy (Leff, 1964; Huntington, 1968; Méon & Wei, 2010; Ahmad et al., 2012), and global trade as well (Lmasdorff, 1998; Lavallee, 2005; Dutt & Traca, 2010; Jong & Bogmans, 2011; Svensson, 2012; Thede & Gustafson, 2012; Gil-Pareja et al., 2019).

At a macro-economic level, Leff (1964) and Huntington (1968) argue that corruption might benefit economic growth because firms can bribe to bypass the bureaucratic administration. More cautiously, Méon & Wei (2010) and Ahmad et al. (2012) provide evidence of a contingent finding that corruption might be optimistic for ineffective institutional governments, especially when it combines with other obstacles collectively. In the term of international trade, Lambsdorff (1998) investigates how the corrupt level at importing countries influences the trade flow from exporting counterparts. He finds that bribery of importers is considered as a disadvantage for some, but not all. This ambiguous finding results in another empirical research as well. Dutt and Traca (2010) conclude that trade flows may be supported by the 'evasion effect' – a situation that traders can avoid the high tariff rates (which from 19% to 43%) by bribing public officials. The evasion effect is also found when being subject to China's imports (Svensson, 2012). Using panel data of OECD and developing countries for non-linear regression, Lavallee (2005)

explains that corruption can act both as an obstacle and a beneficial grease for international trade.

Still, another argument by economists on the influence of corruption is that corruption positively impacts international trade in inefficient customs organizations and poor institutional environment. This is affirmed by Jong and Bogmans (2011) when they mentioned that facilitative payments to customs officials enhance imports. Interestingly, the difference between importers and exporters is shown in the same research when they note no significant effect for exports. Just the same, bribery is a way to leverage foreign trades in low and middle-income countries where economic benefit is powerful, and its institutions perform ineffectively (Thede & Gustafson, 2012; Gil-Pareja et al., 2019).

Yet, it is challenging to reach a consensus about the effect of corruption on international trade growth conclusively. Hence it needs to study elaborately for each case. However, at any rate, we cannot deny the necessity of an appropriate anti-corruption strategy that should be constructed to both deter corruption and improve the socio-economic development in every country.

2.4. The causes

From the previous views, it can be seen that corruption can adversely affect international trade in many ways. The paradoxical causality, however, can occur under some specific situations. The result may derive from some characteristics of corruption such as the level, the prevalence, and the predictability (Thede & Gustafson, 2012; Svensson, 2012). However, we cannot simply say that these characteristics are the causes of that causality but rather the causes of corruption themselves.

By its very nature, corruption can be caused by institutional-based or community-based, domestic or international interferences. The causes might vary due to the adoption of different approaches. This section will present some of the main causes that facilitate corruption in the environment of international trade based on literature reviews. Such causes can be categorized into the following: (i) institutional-based, such as economic development level and poor governance, weak legal systems and complicated trade regulations, high tariff rates, recruitment

and salaries; (ii) cultural-natural based, including cultural dimension, natural openness and resources.

2.4.1. Institutional-based causes

Economic development level and poor governance are the first major causes that economists usually point out when studying the causality of corruption and economic growth and international trade, which can be a negative impact or positive influence. Indeed, the inefficiency of low and middle-income countries, which are derived from poor institutions and lower economic power, still influences the market transactions and facilitate conceivably bribery for preferential treatment and unfair competition. In the global supply chain, the ineffective organizations of customs and OGAs like port authority, sanitary inspections, veterinary, border police give rise to the distortion and extortion of these public officials (Ferreira et al., 2007; Jong and Bogmans, 2011). By its discretionary power for goods clearance at the border as mentioned above, customs and OGAs can not only distort the release process by delay the transaction (routine corruption) but also can extort traders for a wrong declaration of goods (fraudulent corruption) (Hors, 2001; Badalyan et al., 2018). Apparently, it may be a characteristic of international trade that almost all border gates are located at dispersed and remote places; then it is difficult to control and monitor the corrupt behaviors (Ferreira et al., 2007). Plus, weak external institutional control imposes a positive condition for a rise of corruption in global trade. Lambsdorff (1998) advances that a 'differentiated inclination' of exporters to offer bribes to importing countries' officials affects bilateral trade. He then argues that all countries should share responsibility for preventing the expansion of bribery in international trade, especially in the exporting countries.

Hors (2001) also states that these corrupt acts may originate from the growth of trade volume. The high volume of trade generates higher demand for release services at the border; then it may cause a delay in doing release procedures if the customs and OGAs services are not equal in quality. The requirement of delivery on time is a priority in the global supply chain. It then urges the traders to bribe officials to jump ahead in the long queue and clear the goods as soon as possible.

Interestingly, the growth of trade volume from the anti-protection's view, however, has an opposite theory that 'more imports reduce the room for corruption by increasing the level of competition'¹¹. Hence the more open trade and economy becomes, the lower level of corruption occurs (Andvig et al., 2000).

The poor quality of control systems and judiciary is also highlighted by some scholars (Tanzi, 1998; Hors, 2001; Ferreira et al., 2007; Parayno, 2013). Tanzi (1998) states that the quality of penalty systems and internal institutional control collectively indirectly affect the prevalence of corruption. This is affirmed by Hors (2001:18) that 'the lack or inefficiency of controls, which left opportunities open for malpractice' and 'without the will to enforce the law, all these internal discipline mechanisms were purely decorative' in his study at Philippines, Bolivia, and Pakistan. The same problem is also mentioned by Parayno (2013) in his paper about the Philippines' customs.

Weak legal systems and complicated trade regulations are another common strong incentive for people to bribe and circumvent a fair trade process across borders. Lambsdorff (2005:6) describes that 'ill-designed policies create corrupt incentives for policymakers, bureaucrats and the public in general'. The complex and non-transparent regulations for obtaining licenses or permits give officials discretionary power and opportunities to demand bribe, as shown by the study of Tanzi (1998). Besides, the poor legal systems are also highlighted by Anderson and Marcouiller (2002), who examine the consequence of insecurity on trade. They then report that corruption, as a hidden tax, impedes trade where the commercial contracts cannot be enforced well because of the weak legal systems and ambiguous policies.

The complex regulations of international trade generate corruption are more than obvious. Hors (2001), in a study of foreign trade systems in the Philippines, Bolivia, and Pakistan, provides evidence that complex and bureaucratic trade procedures in these countries, in which every transaction includes ten processes on average, generates at least '40 million' corrupt chances for people who involve in

¹¹ [Kommerskollegium National Board of Trade \(2005\). Trade and the Fight against Corruption. Opinion, No. 100-457-05, p7](#)

those processes. Hors' view is also cited in the work of Badalyan et al. (2018) that the complicated procedures for releasing consignments, obtain an import-export license, and other documents of sanitary or qualification cost traders and intermediaries both time and money. About the non-tariff concern within EU members, Hosseini (2011) explores that some other non-tariff barriers like rules of origin, issuance of documents, and permission rules of exemptions and exceptions may favor corrupt trade behaviors. Trade quotas are another non-tariff barrier that must be noticed as causes that may also create opportunities for corruption, and 'the quotas shift resources away from directly productive activities to rent-seeking activities, generating welfare losses'¹².

High rate and/or diversified tariff systems. Indeed, within high and diversified tariff rates that levies on import and export goods, there will be incentives for both public officials to demand a bribe and traders to offer bribes which cause the 'tax evasion' effect. In their study, Dutt and Traca (2010) find that corruption may enhance international trade when corrupt officials allow traders to evade the high tariff barriers. The loss of revenue due to high import tax rates in China – Hongkong in 1998 is investigated by Fisman and Wei (2004). They find that tax evasion increases three percent when the tax rate rises one percent, and that loss derives from the misclassification and frauds in the declaration of import goods. In a similar spirit, Gatti (1999) provides evidence that a greater diversified trade tariff system tends to facilitate corrupt behaviors. Customs officers have more chances to demand bribes from importers in the form of tariffs not paid, especially if traders desire to avoid the higher tax rates.

It should be noticed that, however, not only the extortive officials generate tax evasion but also traders have the desire to avoid the high expenditures. Firms have more incentive to pay bribes if they get more substantial financial and managerial incentives (Jeong & Weiner, 2012). The result of corrupt behaviors is not only a benefit for the firm, but also an advantage for boosting the careers for managers (Cuervo-Cazurra, 2016). Hence, the tax evasion in international trade

¹² [Kommerskollegium National Board of Trade \(2005\). Trade and the Fight against Corruption. Opinion, No. 100-457-05, p8](#)

may be a consequence that derives from the desires of both sides, the traders and customs officers.

Inefficient recruitment and inadequate salaries. The low income or the insufficient payment of public servants, and the ineffective recruitment and performance assessment systems are argued as critical reasons for extortion in developing countries. Rijckeghem and Weder (1997) make a relevant point that an increase in civil service wages is associated solely with eliminating corruption. Cautiously, they claim that a higher salary's positive effect should be considered in a long-term policy, and applying a high wage policy or not may be a tough question for poor budget countries. Their view is also cited by some other scholars like Lambsdorff (1999), Fjeldstad et al. (2000), Cuervo-Cazurra (2016). On a broader perspective, Svensson (2005) concludes that raising the salary can be successful if it done so under certain conditions, including a well-function enforcement, not too much costly trade-off on budget, and bribery is not an institutional and functional part of officials' income. Focusing on customs as the main public actor in international trade in developing countries, Hors (2001) states that corruption happens due to need, not greed, when officials' salary cannot afford their reasonable standards; or else it is lower than the private income level, as Fjeldstad et al. (2020) cited. It, however, cannot be confirmed for high-ranking positions (Ferreira et al., 2007). Similarly, Tanzi (1998) supports the hypothesis of wage incentives in determining the level of corruption by presenting some successful cases, such as the high salary system for tax and customs officials in Peru, Singapore.

Furthermore, we cannot deny the severe effect of an inefficient human resource management system on corruption prevalence. Ferreira et al. (2007) condemn an unsuitable recruitment process for officers that gives strong opportunities for people for buying the positions in the customs due to its vast potential for extortion and rent-seeking. Thus, a process of position's recruitment that is based on non-meritocratic criteria tends to facilitate corrupt behaviors more smoothly (Hors, 2001; Fjeldstad et al., 2020).

Again, it is arguable that combating corruption only on the wage incentive is impossible because several other factors generate a corrupt act, including

institutional causes and social norms. Hence, a combination of anti-corruption measures needs to be considered (Fjeldstad et al., 2020).

2.4.2. Cultural - natural based

Culture. The tradition or custom of taking bribes might be another reason for the expansion of corruption, especially according to sociologists. After reviewing previous empirical studies, Lambsdorff (2005) believes that culture definitely affects the level of corruption. The same author concludes that ‘culture explains only a fraction of the variance of corruption levels, leaving sufficient prospects that countries can change for the better even if their cultural preconditions are less favorable’ (Lambsdorff, 2005:17). Along this line, Larmour (2008) points out that the culture contributes to understanding and responding to corrupt actions. Also, the role of the multiplicity of culture and its effect on corruption’s level, such as Guanxi – a common practical phenomenon of corruption in China, cannot be ignored when investigating the roots of corruption in Asia-Pacific region (Svensson, 2012; Abjorensen, 2014).

Specifically, the view can be seen clearly in a work of Fjeldstad et al. (2020) about corruption in global trade. The authors show their strong concern about the impact of social norms and the role of family on customs officials' behaviors. As shown in the study, customs officers are commonly believed by all ordinary citizens to have a high salary and can earn money easily by using their discretionary power. They then must share these trump cards; otherwise, they are considered unethical. ‘Only someone who accumulates can redistribute and be identified as “a man of honor”’ (Fjeldstad et al., 2020:124).

Natural openness to international trade and resources. ‘Countries that are more “naturally” open than others will have more competition and hence lower corruption levels’¹³ is supported by some scholars. They believe that countries with natural advantages, such as speaking the international language English, having a long coast, or a huge population, can have a better potential to expand trade than others. Then, these countries are expected to exploit more its resources for the

¹³ [Kommerskollegium National Board of Trade \(2005\). Trade and the Fight against Corruption. Opinion, No. 100-457-05, p8](#)

development of economy and global trade and would therefore imply lower level of corruption (Andvig et al., 2000, citing Wei).

This theory, however, is challenged by scholars studying the relationship between the abundance of natural resources and the level of corruption. Natural resource exploitation, for instance, minerals and oil, is an extremely high-rent seeking activity due to its colossal profit. It then increases the opportunity for corruption (Lambsdorff, 2005, citing Ades & Di Tella).

CHAPTER 3: BACKGROUND OF VIETNAM

This chapter provides a picture of Vietnam's foreign trade and the corrupt situations in general. It then presents policies that has been implemented to curb corruption in Vietnam's import-export process.

3.1. Foreign trade and contribution to economic development

After pursuing the open-oriented economic policies since Đổi Mới (translated as Revolution) in 1986, the Vietnam economy has been growing significantly, resulting in being upgraded from a low-income to a middle-income country. Its gross domestic product (GDP) rate averages about 6.5% in the period 2000-2019. In 2019, the GDP growth rate reached 7.02% and was one of the highest economic growth countries in the region and the world. Incredibly, even though the world economy has suffered from the trade war between United States – China and the COVID-19 pandemic, 'Vietnam is shaping up as Southeast Asia's single economic success story in the coronavirus era, maintaining steady positive growth as other economies struggle to recover'¹⁴, according to Nikkei news. The economic and political role of Vietnam in the Southeast Asia region and the world has been recognized substantially.

Contributing to such impressive economic growth, international trade takes a supreme proportion (WTO, 2013; Clarke et al., 2017; Tien & Anh, 2019; WB, 2020). Vietnam has increased trade volume and expanded its trade partners over the past decades. As we can see in figure 3.1 below, both import and export values have increased dramatically. The total trade value in 2019 was seventeen times the value in 2000, and Vietnam has been keeping the surplus trade since 2016.

World Bank (2020) reports that the export-lead model that Vietnam is following has been successful and creating millions of productive jobs. Additionally, as the Ministry of Industry and Trade (MOIT) reported in Vietnam Import-Export Report 2019, Vietnam's export structure and diversification of export products have changed positively, in which the proportion of fuel and minerals continues to decrease to 1.6% (from 1.9% in 2018), and industrial

¹⁴ <https://asia.nikkei.com/Economy/Vietnam-emerges-as-sole-economic-winner-in-Southeast-Asia>

manufacturing products increased to 84.3% (from 82.9% in 2018). Vietnam import aims to ensure production and export activities, in which its turnover in 2019 reached 253.07 billion USD, up 6.8% compared to 2018. Imports mainly focus on commodities for manufacturers and exports, including machinery, equipment on raw materials. Importantly, the trading policies oriented to external economic relations and participating in free trade agreements (FTAs) lead to noticeable trade growth. Up to date on March 2021 by Center for WTO and International Trade of Vietnam, Vietnam has joined fifteen FTAs, including multiple regional FTAs and bilateral FTAs¹⁵.

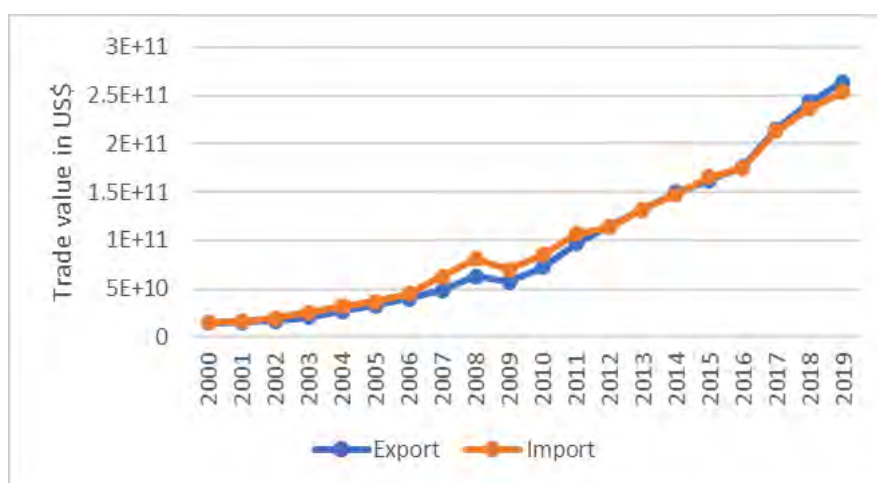


Figure 3.1. The import - export value of Vietnam in the period of 2000-2019 (Data source: COMTRADE database)

Moreover, Vietnam has implemented various trade reforms to attract foreign investment and encourage entrepreneurs to do business. As a result, foreign trade has been among the main determinants of Vietnam’s economic growth. *‘In short, the export sector has been at the heart of Vietnam’s rapid and inclusive growth, through the export of agriculture (rice) in the 1990s, low-skilled manufacturing like textiles and footwear in the 2000s, and electronics in the 2010s fueled by the arrival of many foreign investors’*, World Bank (2020:6) stated. As shown in figure 3.2, the export value determined 107% GDP in 2019, and that ratio was double to 2000s.

¹⁵ Center for WTO and International Trade – Vietnam Chamber of Commerce and Industry <https://wtocenter.vn/fta>

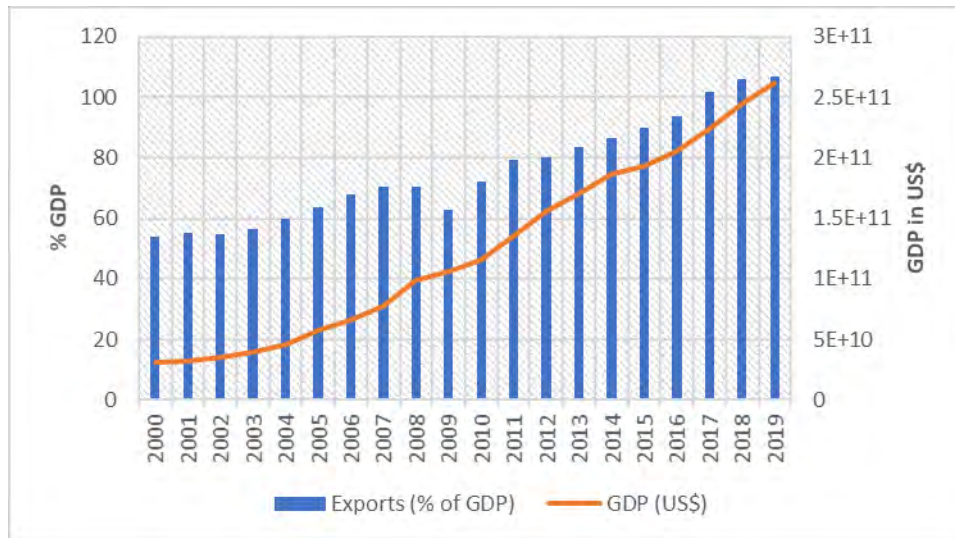


Figure 3.2 – Vietnam’s GDP and the ratio of export value to GDP in period 2000 – 2019 (Data source: World Bank).

Vietnam effectively exploits the advantages of the FTAs to boost exports of competitive products, including agriculture, fisheries, textiles, footwear, and furniture (WTO, 2013). The structure of the export markets has shifted to the countries with FTAs. Among all trade partners, the Asia-Pacific region, especially APEC economies, are comprehensive and strategic trade partners of Vietnam (Fujita, 1998; WTO, 2013). As Fujita (1998:36) stated, ‘*APEC, unlike ASEAN, includes industrialized countries and newly industrialized economies, which have trade structures highly complementary with Vietnam, and likely to become important markets for Vietnam exports*’. The Vietnam – APEC regional imports and exports cover more than 68% and 77% on average respectively of Vietnam’s foreign trade (see figure 3.3 below). Thirteen out of fifteen FTAs in which Vietnam is a member that is involved with other APEC economies (see Appendix 3). Adding to the contribution of bilateral FTAs, multiple FTAs such as ASEAN, CPTPP, RCEP play its substantial role in boosting Vietnam exports. In particular, the exports to CPTPP partners achieved a significantly higher growth in 2019, especially those to Japan reached 20.4 billion USD, up 8.4% and those to South Korea reached 19.7 billion USD, up 8.1%; the Canadian market increased by 19.8% (reaching 3.91 billion USD), the Mexican market increased by 26.3% (reaching

2.83 billion USD), and Chilean market increased by 20.3% (reaching 940.7 million USD) (MOIT, 2020).

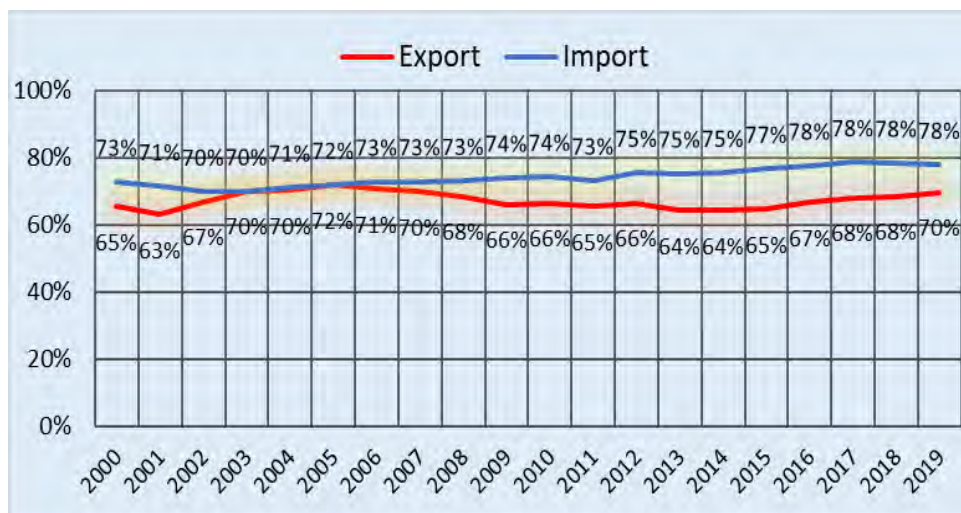


Figure 3.3 - The proportion of trade between Vietnam and other APEC economies to the total foreign trade of Vietnam in 2000-2019 (Data source: COMTRADE database)

However, it seems more challenging to sustain Vietnam’s export-led model in such an unstable and complex global economy and world production patterns, and the development of technology sectors recently (WB, 2020). As pointed by MOIT (2020), some main exports like agricultural and aquatic products still face many difficulties in accessing markets with high requirements on quality and safety. Indeed, these productions have been improved considerably but have not yet caught up with the requirements of green and organic production. Moreover, the standard systems and technical regulations of quality, safety management, and quarantine requirements for import-export products are still limited or strictly implemented, and plenty of ministries are involved in such technical systems (WTO, 2013). Supporting products and components for export enterprises is still underdeveloped and unable to supply sufficiently both in quality and scale. More importantly, WTO (2013:17) documented that ‘Vietnamese enterprises seem to undertake only production phases with relatively low value added, while the most profitable phases (processing products, increasing brand value and commercializing products) are undertaken by foreign invested enterprises’. All these obstacles adversely affect the

growth of Vietnam's exports. Vietnam needs to upgrade to ensure sustainable and inclusive development (WB, 2020).

3.2. Corruption issue in Vietnam

3.2.1. Current situation

'Score is up but corruption remains serious', Transparency International 2019 stated

Despite the economic growth and political bright spots in the last decade, corruption in public and private sectors in Vietnam is still one of top concern by both citizens and international society (NORAD, 2011; WB, 2012; WTO, 2013; CENSOGOR & VBF, 2017; VCB, 2019). Elaborately, NORAD (2011:12) reported that corruption was 'a major risk to the legitimacy of the Party as threatening the trust in the government'. Upgrading to a broader scope, World Bank collaborated with the Government Inspectorate of Vietnam and conducted a survey of citizens, firms, and officials about corruption in 2012. The study documented that 'around 80-86% of both citizens and officials perceived corruption as prevalent and serious at the national level' (WB, 2012:37). Interestingly, the view of the level of corruption varied between the distinguished groups of respondents in different locations and sectors. Some people did not recognize what could be a corrupt act even though it was so obvious.

Also, the severe obstacle of corruption in Vietnam is highlighted by Transparency International in its annual reports. The CPI score of Vietnam remained at low pace (25-27 points) between 2000 and 2010, then increased slightly and gradually in the last decade, as shown in figure 3.4 below. More evidently, according to the annual report on the Provincial Competitiveness Index (PCI) in 2019 of the Vietnam Chamber of Commerce and Industry (VCCI), 53.6% of the firms reported that they have to pay informal fees when doing business¹⁶. Vietnamese government, for its parts, also showed its recognition of the rampant and systemic corruption in society and governances in the National Strategy for Preventing and Combating Corruption toward to 2020, which was released in 2009.

¹⁶ <https://pcivietnam.vn/tin-tuc-su-kien/chi-phi-khong-chinh-thuc-bao-gio-moi-chinh-thuc-het-hanh-doanh-nghiep-ct3231.html> (in Vietnamese)

Afterward, various policies have been implemented to prevent and tackle corruption by CPV and the government. Vietnam has pursued ‘an unprecedented AC campaign since 2016, led by General Secretary Nguyen Phu Trong’ (Campbell & Thomas, 2019:20).

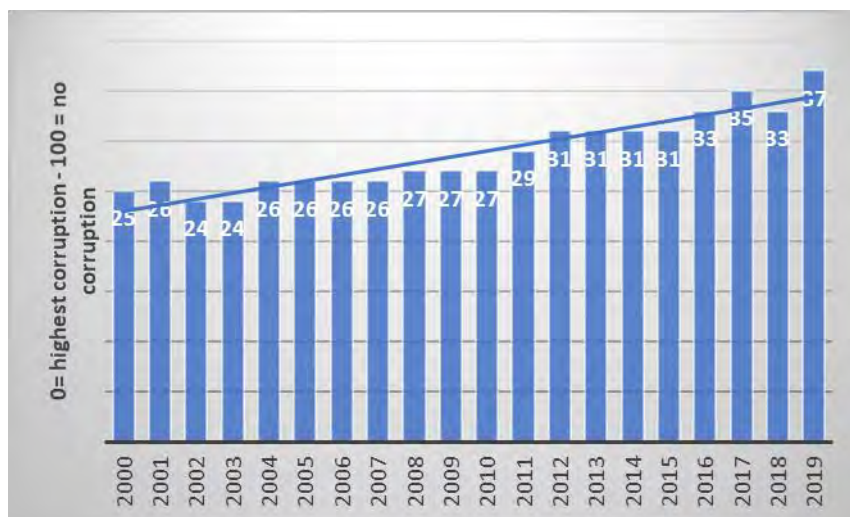


Figure 3.4 – Corruption Perception Index of Vietnam 2000-2019 (Data source: Transparency International)

Indeed, the determination to fight against corruption by CPV and the Government in the past few years has positive and effective results. By improving the legal framework and detecting corruption, about 420 cadres of CPV were put on trial in the last five years, including 90 high-ranking positions in the Politburo and Center Committee of Party¹⁷. According to Toward Transparency, one in two Vietnamese people believe the Government is fighting against corruption effectively in 2019, which is double to 2016¹⁸ (VCB, 2019). Specific to the Customs workforce, there were 51 cases of disciplinary action in 2018. The percentage of firms that responded that they have to pay unofficial fees was reduced from 28% in 2015 to 18% in 2018¹⁹.

¹⁷ <https://dangcongsan.vn/xay-dung-dang/nam-2020-cong-tac-phong-chong-tham-nhung-can-guyet-liet-hon-hieu-gua-hon-546908.html> (in Vietnamese)

¹⁸ <https://towardstransparency.vn/en/the-fight-against-corruption-in-vietnam-takes-a-positive-turn/>

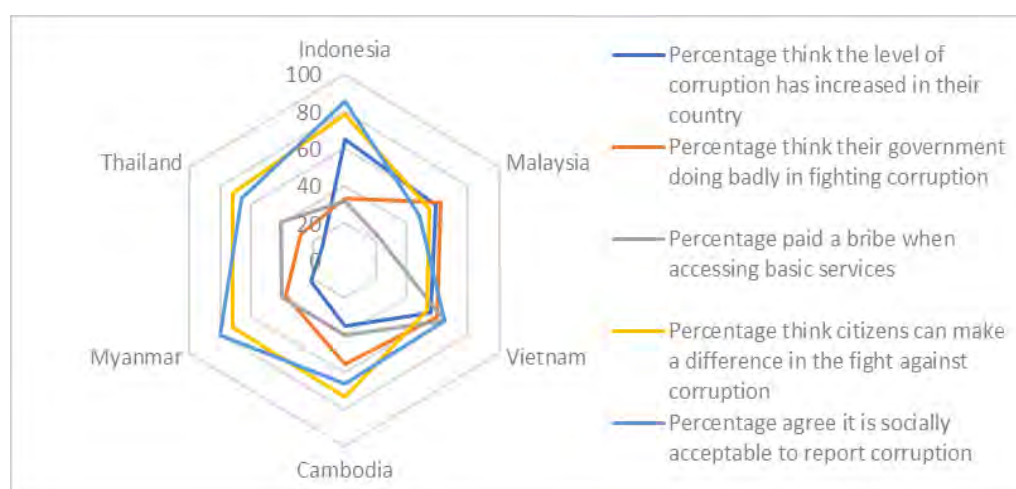
¹⁹ <https://nhandan.com.vn/nhan-dinh/doanh-nghiep-ghi-nhan-no-luc-cai-cach-thu-tuc-hanh-chinh-nganh-hai-quan-nam-2018-346325/> (In Vietnamese)

Nevertheless, in comparison to other Southeast Asia countries in APEC, such as Singapore, Indonesia, Malaysia, Vietnam has remained at the higher corrupt rank in Corruption Perception Index ranking (as table 3.1). Most notably, Campbell and Thomas (2019) indicate that Vietnamese businesses seem to have more negative perception than firms in other countries about the effectiveness of implementing AC policies and about the positive role of citizens in combating corruption (see figure 3.5).

Table 3.1. The CPI ranking of Southeast Asia countries in APEC 2012 – 2019 (Data source: Transparency International)

| Year | Vietnam | Malaysia | Indonesia | Thailand | Singapore | Philippines |
|------|---------|----------|-----------|----------|-----------|-------------|
| 2012 | 123 | 54 | 118 | 88 | 5 | 105 |
| 2013 | 116 | 53 | 114 | 102 | 5 | 94 |
| 2014 | 119 | 51 | 107 | 85 | 7 | 85 |
| 2015 | 111 | 54 | 88 | 76 | 7 | 95 |
| 2016 | 113 | 55 | 90 | 101 | 7 | 101 |
| 2017 | 107 | 62 | 96 | 96 | 6 | 111 |
| 2018 | 117 | 61 | 89 | 99 | 3 | 99 |
| 2019 | 96 | 51 | 85 | 101 | 4 | 113 |

Figure 3.5. Results of Global Corruption Barometer 2017 (Data source: Transparency International)



Still, it is important to be reminded that ‘Vietnam is still among two thirds of the world’s countries scoring below 50’ and ‘score is up but corruption remains serious’²⁰, according to Transparency International.

‘Corruption is perceived as serious nationwide, in the public and private sectors’, as pointed out in the Vietnam Corruption Barometer 2019 - Toward Transparency

World Bank (2012) pointed out the four most corrupt sectors were traffic police, land administration, customs, and construction. Updating to 2019, Vietnam Corruption Barometer 2019 documented a slight difference among the most corrupt actors who were traffic police (30%), followed by police (20%), tax officials (17%), business owners (15%), and OGAs officials (13%) (VCB, 2019). As we can see, corruption in private sectors and OGAs is the focus of concern by both citizens and businesses. In the study of firms’ perspective, WB (2012) noted that 53% of respondents believed informal payments bring more benefits than costs. More than 70% of the cases were generated actively from the enterprises’ suggestions. ‘Corruption is not only initiated by people in charge or service providers but also largely actively proposed by service users’, WB (2012:45) stated. Firms do not trust that competitors will play a fair game and believe that bribes help them go ahead to others (VCCI et al., 2014). Giving small gifts and entertainment within private companies in commercial relationships is customary in business practices, which is a serious challenge to foreign investors (CENSOGOR & VBF, 2017).

‘This was a cultural expectation in Vietnam’ - Centre for Social Governance Research (CENSOGOR) and Vietnam Business Forum (VBF) (CENSOGOR & VBF, 2017:10)

With regard to the common causes found in the social surveys, there was a lack of transparency and public accountability, weakness of implementation and independence of AC agencies (ACAs) (WTO, 2013); ambiguous regulations, ineffective enforcement (NORAD, 2011, cited the 2005 survey conducted by CPV); low salary (CENSOGOR & VBF, 2017). As Nikkei News discussed, ‘one obvious

²⁰ <https://towardstransparency.vn/en/vietnam-cpi-2019-score-is-up-but-corruption-remains-serious/>

reason is that government employees typically receive exceedingly low salaries; even the prime minister earns only around \$750 per month²¹ officially. Besides that, social norms of giving gifts were also noted in several surveys. In particular, VCCI et al. (2014) showed that firms' corruption originated by the 'rule of the game'; while CENSOGOR and VBF (2017) concluded that the expectation of gifts and entertainments between officials and firms' managers, and within business partners is prevalent when doing business in Vietnam. Giving gifts is a common way to make and keep relationships going smoothly.

3.2.2. Anti-corruption measures in Vietnamese foreign trade policies

Improving the legal systems of AC.

Vietnamese legal framework for AC on paperwork has been recognized as more comprehensive than the other Asia countries (NORAD, 2011; WTO, 2013; VCCI et al., 2014). The first AC Law was introduced in 2005, went into force in early 2006, and then amended in 2007 and 2012. Afterward, there has been follow-up legal documents released by the center and local governments, notably the National Strategy for Preventing and Combating Corruption toward 2020, released in May 2009. Another fact worthy of mention is that Viet Nam ratified the United Nations Convention Against Corruption (UNCAC) in June 2009, a Vietnam's momentum of becoming a member of the global AC community. Besides that, the Law on Denunciation 25/2018/QH14 released in July 2018, went effective in early 2019, and its decree 31/2019/NĐ-CP initiates a new momentum to the AC efforts in Vietnam, in which it encourages citizens to participate in deterring corruption and provide a legal system for whistleblowers' protections.

More importantly, since 2016, CPV and the Vietnamese government have shown the determination to pursue a more comprehensive AC strategy, in which taking steps to significantly address the corruption in private sectors (Campbell & Thomas, 2019; VCB, 2019). The first step is the Amended AC Law 36/2918/QH14 and its decree 59/2019/NĐ-CP. The new law provides a broader concept of corruption than other previous legal documents, including the corruption in private

²¹ <https://asia.nikkei.com/Opinion/Vietnam-and-the-fight-against-corruption>

businesses and organizations. The concept of corruption is an illegal act committed by a person with positions or powers or assigned to perform duties but has taken advantage of such positions, powers or duties for personal gain; damages or threatens to damage the interests of the State, the legitimate rights and interests of organizations and individuals will help supplement regulations on corrupt practices in the private sector, especially non-State enterprises²². It then is expected that help for the AC activities will be more comprehensive and thorough.

In particular for Customs as the main public actor in trading across border process, GDVC has introduced and publicized a list of documents on conducting culture and behavior of customs officers. For instance, the Code of Conduct for officials was released in 2013 (Decision 557/QĐ-TCHQ), Regulation on operating public service went into force in 2017 (Decision 188/QĐ-TCHQ), and Regulation on investigation and discipline for customs officials and other employees working in Vietnam customs workforce has been effective since 2018 (Decision 2799/QĐ-TCHQ). In summary, we can see clearly that the Vietnamese AC legal systems is gradually changing and targeted at approaching international standards.

Enhancing the effectiveness of ACAs

‘The adequacy of the legal framework for AC is less an issue in Viet Nam today than the implementation process’ (NORAD, 2011:13). Like China, Taiwan, and the Philippines, Vietnam relies on multiple ACAs to curb corruption (Quah, 2017). These ACAs include Government Inspectorate, through its AC Bureau which is established in 2006; State Audit of Vietnam; Supreme People’s Procuracy of Vietnam, through its Department of Prosecution and Corruption Investigation which was created in 2006; Ministry of Public Security’s Bureau of Corruption Criminal Investigation which has operated since 2007; and a special institution named Central Steering Committee on Anti-Corruption established in 2013, which is directly administered by the Vietnamese Politburo and chaired by General Secretary Nguyen Phu Trong (NORAD, 2011; VCCI et al., 2014; CPV news²³). At

²² <http://thanhtravietnam.vn/nghien-cuu-trao-doi/mo-rong-khai-niem-tham-nhung-nham-hoan-thien-phap-luat-ve-phong-chong-tham-nhung-trong-kinh-doanh-182532> (in Vietnamese)

²³ <https://noichinh.vn/gioi-thieu/ban-chi-dao-tw-ve-phong-chong-tham-nhung/> (in Vietnamese)

a lower level of governance, ministries and provinces also established its steering committee for AC and inspectorate departments, in which all activities are following the directions of the Center Steering Committee.

Yet, the ACAs' operations remain to be seen as being ineffective though they have been structured more systematically and gradually (NORAD, 2011; WTO, 2013). NORAD (2011) pointed out that ACAs' performance was facing several difficulties, including weak capacity in enforcement and investigation, lack of accountability and transparency, lack of a legal framework for protecting both detectives and whistleblowers. While WTO (2013:24) stated 'weak implementation and the lack of independent ACAs still present hurdles to the fight against corruption, which seemingly remains rampant and systemic'. Of course, there are still questions about the result of ACAs operations if it was within the political means of the Party²⁴. However, with the political will of CPV and the Government 'to pursue zero-tolerance approach in AC' (VCB, 2019:10) and the completing legal framework of AC in recent years, the confidence of citizens in AC activities has been strengthened. The AC implementation is expected to accelerate significantly (VCB, 2019).

Vietnam Customs, in particular, is also implementing various measures for deterring and fighting against corruption internally. Along with completing Inspectorate and Personal departments' structure and performance, GDVC has created Department of Video Supervision, which has been located at the headquarter since 2015. The department manages surveillance camera systems, x-ray systems, e-seal programs at all ports, border gates, and Inland Container Depots (ICDs) that help GDVC supervise and detect abnormal activities in important customs areas and then promptly intervene and deter violations. Not only that, GDVC has put the hotline number into operation 24/7 since 2016, in which all calls are recorded, stored, and managed under confidential and urgent mode and targeted at improving the whistleblowing and protection systems, and enhancing the discipline of customs officers. Internal inspections and AC inspection teams are

²⁴ <https://asia.nikkei.com/Spotlight/Asia-Insight/Vietnam-s-Communists-brace-for-next-5-years-after-big-2020>

operated following annual plans to investigate any misconduct. Additionally, rotating and exchange working positions between officials regularly at all levels, especially the sub-departments²⁵. All these measures help to limit the opportunities of corruption in the customs workforce.

Implementing trade facilitation policies

Applying and developing information technology (IT) is a priority to limit the direct contact between officials and businesses. Since 2014, GDVC has officially implemented the Viet Nam Automated Cargo Clearance System and Vietnam Customs Intelligence Information System (VNACCS/VCIS) at all sub-departments. Up to now, 100% of customs procedures have been automated nationwide. The ratio of customs physical inspection had been decreased to about 6% in 2019 by applying the risk management systems, according to GDVC reports. Notably, GDVC has been promoting the Viet Nam Automated System for Customs Management (VASSCM) at seaports and airports since 2017, facilitating import-export activities and managing all movements of consignments at ports, warehouses in the customs area. Besides, other systems like the National Single Window, the ASEAN Single Window, and tariff e-payment contribute to facilitating Vietnam foreign trade flows and enhancing the control for violations.

Also, simplification and harmonization in import-export procedures have been implemented by GDVC and other OGAs involved in the trade process. As discussed in the previous sections, the standard systems and technical regulations for import-export products are still complicated and manual, involving several ministries. In 2015, GDVC, as a coordinator, submitted a proposal of solutions to the State that request that OGAs focus on modernizing and simplifying their regulations and procedures in specialized inspection activities. However, according to a GDVC report in 2017, more than 60% of import-export consignments need to do document examination and physical inspection by Customs due to OGAs' regulations²⁶.

²⁵ <http://thoibaotaichinhvietnam.vn/pages/nhip-song-tai-chinh/2018-06-12/chuan-hoa-cong-tac-phong-chong-tieu-cuc-trong-nganh-hai-quan-58595.aspx> (in Vietnamese)

²⁶ <https://tapchitaichinh.vn/su-kien-noi-bat/su-kien-tai-chinh/khuyen-nghi-giai-phap-giam-ty-le-ho-so-xuat-nhap-khau-bi-xep-va-loang-do-va-vang-128593.html> (in Vietnamese)

Improving customs to businesses partnership

Since 2013, GDVC has operated programs and workshops to encourage firms' participation in customs performance to promote international trade and clean the business environment. Cooperation activities towards building understanding and consensus between the customs and the business community include consulting before and after implementing customs regulations, enhancing enforcement and compliance of businesses, conducting firms' satisfaction survey, and handling feedback of firms. The businesses that participated in these programs were importers, exporters, warehouse owners, the port authority, logistic companies, customs brokers, and domestic and international business associations.

Obviously, there is still room for Vietnamese government to improve the AC strategy effectively in the future. Furthermore, it is vital to implement AC strategy effectively so that private sectors should recognize and promote their responsibility in combating corruption between public and private bodies as well as within the business community.

CHAPTER 4: METHODOLOGY

This chapter contains the methodology to answer the two sub-questions of the research and the main research question.

4.1. Methodology

It is necessary to employ a mixed approach in data gathering and analysis to answer the research sub-questions. While the partial use of quantitative analysis aims to provide empirical evidence of the relationship between two variables (corruption and trade), the qualitative part contains a small number of homogeneous interviewees who can provide relevant information for analysis and discussion about the causal relations between corruption and Vietnam's foreign trade. It can then place the discussion on Vietnam's challenges for implementing a better AC strategy in trading across the border.

The mixed-method is employed since the researcher is an insider - a customs official - which may provide pros and cons at the same time. As an insider, the researcher has benefits of 'have a pre-existing knowledge of the context of the research' (Greene, 2014:3; citing Bell, 2005) and 'for the insider researcher, interaction is more natural and they are less likely to stereotype and pass judgment on the participants under study' (Greene, 2014:3; citing Aguiler, 1981). Yet, there are few drawbacks as well, such as their knowledge can be biased and lead to the lack of objectivity (Unluer, 2012:1). Hence, the interviews of players who are working in various sectors involved in the trade process can 'brings to the research process to a wider range of perspectives, including the researcher's own perspective' (Unluer, 2012:2).

4.2. Empirical econometric model

4.2.1. Gravity model

The gravity models have been the most used tools to assess bilateral trade flows between countries and 'has come to be the starting point for a wide variety of research questions with a policy component' (Shepherd, 2016:ii). Starting by Tinbergen (1962), the gravity model expects that the bilateral trade between countries expands when the economic size is larger, and the further distance between them discourages the business due to the suffering of transport cost. The

model is presented by the following equation, in which X_{ij} is bilateral trade, G is gravity constant, Y_i and Y_j are economic size of two countries and D_{ij} is the distance between them:

$$X_{ij} = G \frac{Y_i Y_j}{D_{ij}}$$

However, with the more advanced concept of international trade and behind-of-border dimensions, such as tariff, FTA, language, the model is necessary to be altered. Therefore, a new and popular used model was created by Anderson & Van Wincoop (2003), which ‘has a number of implications for the way in which a gravity model should be set up, and the types of data that should be used’ (Shepherd, 2016:8). These models have been extended in various forms like logarithmic equations using numerous variables that could positively or adversely affect bilateral trade. In these models, the trade value (imports and/or exports) is the dependent variable affected by other independent variables. These variables’ coefficient is tested to indicate if they facilitate or restrict trade between partner countries. Beside the economic size represented by GDP or GDP per capital and geographic distance, other border variables and behind-of-border factors are also included in econometrics model, such as the exchange rate of local currency (Ali & Mdhillat, 2015), sharing border, using the similar language, used to belong the same former colony (Jong & Bosman, 2011; Sevansson, 2012; Ali & Mdhillat, 2015; Gil-Pareja et al., 2019), or being in multiple and/or bilateral FTAs (Gil-Pareja et al., 2019).

Particularly in Vietnam’s trade, there are a few empirical studies that focus on indicating the determinants of export and/or import flows. Clearly, the partner economic growth and the geo-distance significantly affect foreign trade (Nguyen, 2010; Tho, 2013; Narayan & Nguyen, 2016). The exchange rate of Vietnam Dong to the partner’s currency is both stimulating the trade significantly (Tho, 2013) and is not significant effect (Do & Vu, 2014; Tien, 2016). Similarly, the impact of some FTAs on Vietnam’s trade is found positively (Huy, 2014; Narayan & Nguyen, 2016), but other FTAs may be negative or not significant (Doanh & Heo, 2009;

Tien, 2016). Corruption factor seems to be ignored when analyzing the determinants of Vietnam's foreign trade.

4.2.2. Empirical model

4.2.2.1. Model

This study will use the gravity model to analyze the relationship between corruption and trade value between Vietnam and its APEC partners. Following the work of Svensson (2012) and Gil Preja et al. (2017), taking into account the specification of APEC group, the empirical models of this study are as follows:

$$\ln EX_{ijt} = \beta_0 + \beta_1 \ln Y_{it} + \beta_2 \ln Y_{jt} + \beta_3 \ln ER_{ijt} + \beta_4 CPI_{it} + \beta_5 CPI_{jt} + \beta_6 AFTA_{ijt} + \beta_7 VFTA_{ijt} + \beta_8 \ln D_{ij} + \beta_9 BD_{ij} + \varepsilon_{ijt} \quad (1)$$

$$\ln IP_{ijt} = \alpha_0 + \alpha_1 \ln Y_{it} + \alpha_2 \ln Y_{jt} + \alpha_3 \ln ER_{ijt} + \alpha_4 CPI_{it} + \alpha_5 CPI_{jt} + \alpha_6 AFTA_{ijt} + \alpha_7 VFTA_{ijt} + \alpha_8 \ln D_{ij} + \alpha_9 BD_{ij} + \varepsilon_{ijt} \quad (2)$$

The dependent variable EX_{ijt} and IP_{ijt} are the bilateral annual exports and imports in US dollars from Vietnam (country i) to country j in time t. Y_{it} and Y_{jt} are incomes of Vietnam and its partners respectively, presented by the gross domestic product in current dollars. These variables express the potential market size and purchasing power and are expected to be positively correlated with bilateral trade. ER_{ijt} refers to the bilateral real exchange rate between Vietnamese currency (Vietnam Dong - VND) and its partner currency. It presents the VND value of one unit of the partner currency; therefore, an increase of ER might increase the demand for Vietnam exports, but reduce the Vietnam imports. The CPI is used to present the general measure of corruption – Corruption Perception Index - in Vietnam and the other countries. CPI_i and CPI_j are the corruption variables for Vietnam and its partner respectively. While $AFTA_{ijt}$ refers to multiple FTAs within and between ASEAN and other APEC partners, $VFTA_{ijt}$ presents to the bilateral FTA between Vietnam and her partners. Besides, D_{ij} is a proxy for transportation costs and be expected to affect bilateral trade negatively. BD_{ij} is a dummy variable, taking value 1 if partners share borders, and otherwise 0. Where β_0 and α_0 are intercepts and the

residuals ε_{ij} capture all the statistical error and unobserved factors influencing the bilateral trade.

4.2.2.2. Data

Secondary data are retrieved from trustworthy websites of international organizations and corporations. While the GDP data is taken from the World Development Indicators (World Bank), the bilateral annual trade data is exported from United Nations Comtrade Database. The real exchange rate is calculated as $ER_{ij} = NER_{ij} \frac{P_j}{P_i}$, in which nominal exchange rate (NER) is extracted from International Monetary Fund (IMF) database, while consumer price index (P) is taken from World Development Indicators. Moreover, the source of Corruption Perception Index (CPI) variable is Transparency International database. The index ranges between 0 (highly corrupt) and 10 (very clean) for the years 1995–2011 and between 0 and 100 afterward, where 0 means that a country is perceived as highly corrupt and 100 means it is perceived as very clean.

Meanwhile, the distance between Vietnam and its partner countries are exported from the GeoDist database provided by CEPII, in which the weighted distances data is used due to its being ‘based on bilateral distances between the biggest cities of those two countries’²⁷

Table 4.1. Explanations of all variables and dummies

| Variables | | Definition | Data source | Expected behavior on trade |
|-----------------------|------------------------------------|---|-------------|----------------------------|
| Dependent variables | EX_{ij} : Bilateral export value | Total value in USD of exports from Vietnam to other countries in a year | COMTRADE | |
| | IP_{ij} : Bilateral import value | Total value in USD of imports to Vietnam from other countries in a year | COMTRADE | |
| Independent variables | Y_i : GDP of Vietnam | The sum of gross value added by all resident producers in Vietnam plus any product taxes and minus any subsidies not included in the value of the products. | WDI | Increase |

²⁷ Mayer, T and Zignago, S. 2011. Notes on CEPII’s distance measures: The GeoDist database, p11

| Variables | | Definition | Data source | Expected behavior on trade |
|-----------|---|---|-------------|---|
| | Y_j : GDP of other partner | The sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. | WDI | Increase |
| | CPI_i : CPI of Vietnam | Corruption Perspective Index of Vietnam based on how corrupt is perceived to be by experts and business executives. | TI | Increase |
| | CPI_j : CPI of other partner | Corruption Perspective Index of countries based on how corrupt is perceived to be by experts and business executives. | TI | Increase |
| | ER_{ij} : Real exchange rate Vietnam-partner | The VND value of one unit of the partner currency, multiplied by partner consumer price index and divided by Vietnam consumer price index (base year 2010) | IMF, WB | Increase for exports/ Decrease for imports |
| | $AFTA_{ij}$: FTA within/between ASEAN and partner | Multiple FTA within or between ASEAN and other partners | WTO | Increase |
| | $VFTA_{ij}$: FTA between Vietnam and partner | Bilateral FTA between Vietnam and other partners | WTO | Increase |
| | BD_{ij} : shared border between Vietnam and other country | If countries share the same border, then the value is 1. If not, it is 0 | CEPII | Increase |
| | D_{ij} : Bilateral distance | Distance between two countries between the biggest cities of those two countries | CEPII | Decrease |

4.2.3. Estimation process

The data is a balanced panel data set for 19 countries in the period of 2000-2019. The panel data analysis will be used to analyze the data and determine the

causality of corruption issue and bilateral export/import value of Vietnam and its APEC partners.

First and foremost, the gravity model is estimated by pooled ordinary least squares (OLS) with and without corruption variables to check the link between trade value and corruption. The model that includes corruption variables then detected multicollinearity by using Variance Inflation Factors (VIF). The White and Wooldridge test then is used to detect heteroskedasticity and autocorrelation in panel data. In the next stage, the robust option is applied to adjust the standard error in the OLS estimator. Moreover, the OLS estimator shows an inconsistent coefficient with the existence within individual effects. Therefore, the two major panel data techniques - the fixed effects and random effects - are used, and the Hausman test is applied to check what model is preferential. A favor of the fixed effects estimator is shown after running the test.

To overcome the problems of heteroscedasticity, which was detected by the Modified Wald test, and also the risks of serial correlation, the generalized least squares (GLS) estimator is applied. Besides, aiming to check the robustness of model over time, the study breaks the data into two sub-periods 2000-2008 and 2009-2019. The year of 2009 was the milestone of the financial crisis in 2008 and the broader application of Vietnamese e-customs software (named ECUS), which was the implementation of Circular No.222/2009/TT-BTC.

4.2.4. Hypothesis

In particular, the following hypotheses will be taken into account:

Hypothesis 1: There is a significantly positive relationship between the CPI of Vietnam and Vietnamese exports

Hypothesis 2: There is a significantly positive relationship between the CPI of APEC partners and Vietnamese exports

Hypothesis 3: There is a significantly positive relationship between the CPI of Vietnam and Vietnamese imports

Hypothesis 4: There is a significantly positive relationship between the CPI of APEC partners and Vietnamese imports

4.3. Interviews

4.3.1. The purpose

In the design at the beginning, the unstructured interviews are hopefully conducted with knowledgeable and responsible people from different sectors involved in the trade process (customs officials, traders, logistic agents, customs brokers, commercial authority, OGAs officials). The interviews will provide various points of view which depend on the position of the interviewees about:

(1) Discuss and obtain deeper details and analysis to the quantitative findings of the gravity model of the causal relationship between corruption and Vietnam-APEC bilateral trade.

(2) Discuss the causes and the recommendations for implementing better programs for fighting against corruption in Vietnam's trade process.

4.3.2. Participants

The invitation for participating in the research was sent to targeted interviewees, who were selected conveniently and purposefully, in January 2021 via email and other social media apps. The targets included (1) 10 customs officials, whose positions are Head or Deputy Head of Division at the busiest sub-departments from the north to the south (Hanoi, Quang Ninh, Hai Phong, Quang Tri, Ho Chi Minh, Binh Duong) and being in charge of customs procedure for clearance of goods. They all have been working for Vietnam Customs for 15-20 years, which means their experience in dealing with trading obstacles as seniors and supervisors is highly appreciated; (2) 3 officials who are working at government agencies of quality, safety, and quarantine management; (3) 1 officer, who is working at the Vietnam Chamber of Commerce and Industry and has responsibility for trade legal consultation; (4) 3 manufacturing and importing – exporting companies whose markets are China, Japan, and Australia; (5) 3 logistics firms whose headquarter located in Japan, Korea. Their services include shipping lines, freight forwarders, and customs brokers for importing and exporting goods through the Asia - Pacific region.

Unluckily, due to the limitation of online-based connections between the researcher and interviewees because of COVID-19, and interviewees' worrisome

thoughts of the sensitive topic, the number of respondents was not as high as expected. At the final stage, there are 6 customs officials, 1 trader, and 3 managers and 5 staffs who come from 3 logistics firms that participated in the interviews. Luckily, respondents could be representatives for different sectors and locations. Listing in detail, 6 customs officials come from the north, middle and south of the country, while respondents of 3 logistics firms include supervisors and staffs working at import-export and forwarding departments. They are the main actors in the trade process. Hence, their views can be trusted as the most productive contributions to answer the research questions.

4.3.3. The data gathering process

Due to the COVID-19 situation, the convenience of the interviewees, and aiming to receive a better acceptance rate, the unstructured interviews are conducted in two ways: online interviews and sending questions and receiving answers via email in March 2021.

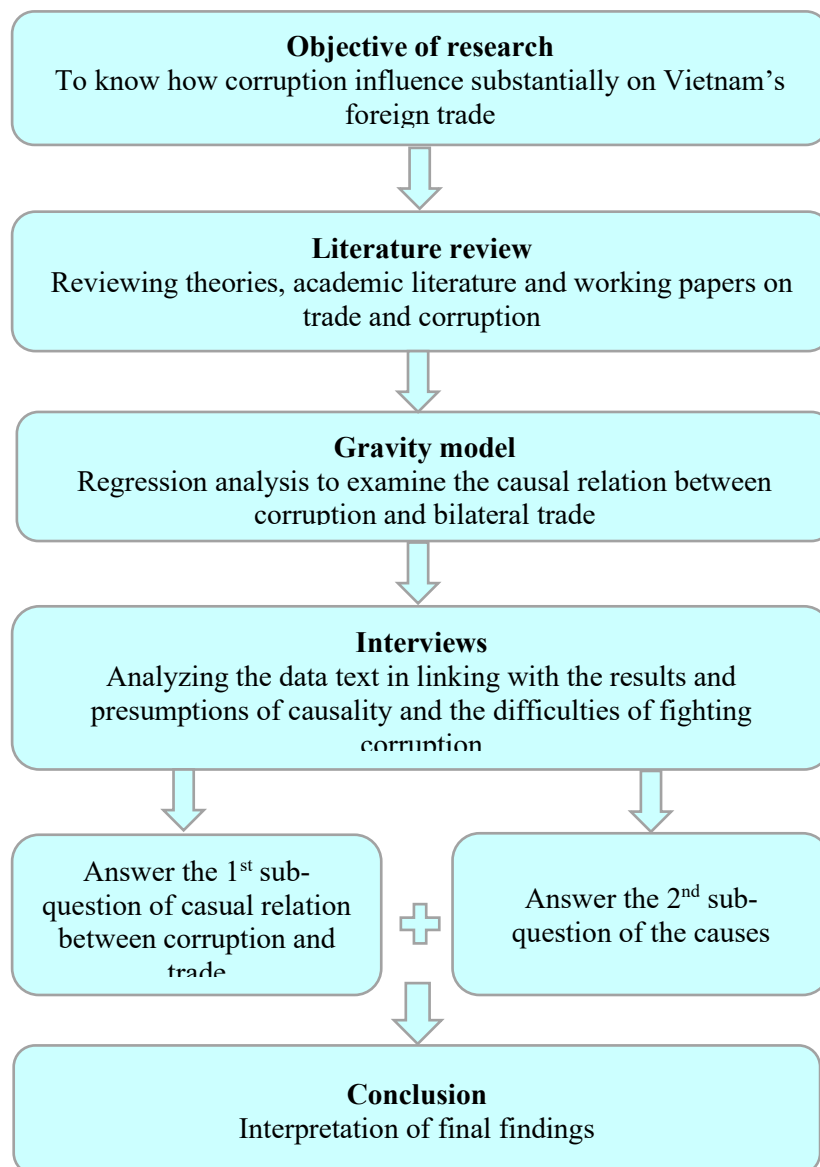
The fundamental questions are open-ended questions about the presumptions of the causes of the gravity model's result of corruption – trade causality and the challenges of tackling corruption in the trade process in Vietnam. Such presumptions are from the researcher's personal experience as an insider and from the literature review. The follow-up questions are given based on the answers of respondents. The fundamental open questions designed separately for interviewees from the public and private sectors were discussed with a customs official and a logistics firm's manager in late January 2021 before taking the actual online interviews or sending questions to interviewees by email. Respondents were asked firstly if they recognize what corrupt behavior is and whether they have any experience of corrupt actions while doing their job to examine their basic perspective of corruption. Then, the discussion went to their thought of the causes of corruption-trade and what they thought are the difficulties that Vietnam administration are facing in fighting against corruption in trade. They were also questioned about their recommendations on what the administration can do to make the Vietnam trade' environment better and cleaner.

The content analysis was employed, in which the text data was categorized and coded under themes of causes and challenges. Some full answers are presented in the result to illuminating the respondents' view.

4.4. Research framework

Figure 4.1 below indicates the process by which the research is followed to enlighten its objective.

Figure 4.1. The research framework (Source: Author)



CHAPTER 5: ANALYSIS AND FINDINGS

This chapter provides the analysis and findings of the two sub-questions, which are presented into three parts: (1) Causality of corruption and trade between Vietnam and APEC members; and the presumptions of the causes (2) The results of interviews. It then presents (3) a discussion on the research question of the impacts of corruption on the bilateral trade of Vietnam and other APEC economies.

5.1. The causality between corruption and Vietnam-APEC bilateral trade.

5.1.1. The link between corruption and trade

Table 5.1 below illustrates the result of pooled OLS estimators for equations (1) and (2) presented in chapter 4, including and excluding the CPI variables.

Table 5.1. The pooled OLS estimations (robust standard errors) for bilateral exports and imports of Vietnam and APEC members.

| Variables | (1) EX-CPI | (2) EX-noCPI | (3) IP-CPI | (4) IP-noCPI |
|-------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| lnGDPvn | 0.739*** [4.40] | 0.758*** [6.50] | 0.598*** [4.37] | 0.828*** [11.12] |
| lnGDPj | 0.750*** [23.87] | 1.027*** [16.25] | 1.007*** [33.40] | 1.098*** [35.65] |
| lnER | -0.0818*** [-3.94] | -0.0593** [-2.16] | 0.0209 [1.52] | 0.0263* [1.71] |
| CPIvn | -0.0334 [-1.19] | | 0.0407* [1.74] | |
| CPIj | 0.0172*** [7.46] | | 0.00653*** [3.89] | |
| AFTA | 0.463*** [4.25] | 0.281 [1.61] | 0.00742 [0.08] | -0.113 [-1.05] |
| VFTA | 0.479*** [2.91] | 0.269 [1.22] | 0.310** [2.10] | 0.310* [1.81] |
| lnDi _j | -1.129*** [-19.86] | -1.129*** [-17.89] | -0.978*** [-23.13] | -0.972*** [-23.43] |
| BD | 0.823*** [6.68] | -0.0110 [-0.07] | -0.619*** [-4.73] | -0.871*** [-6.21] |
| _cons | -8.673*** [-2.62] | -16.77*** [-4.41] | -15.24*** [-5.60] | -22.05*** [-12.13] |
| N | 363 | 375 | 364 | 377 |
| adj. R-sq | 0.859 | 0.747 | 0.894 | 0.884 |

Notes: Sample period 2000-2019. t statistics in brackets, significant * p<0.1, ** p<0.05, *** p<0.01
EX: Exports. IP: Imports. CPI: Corruption Perception Index. noCPI: without variable of CPI. Based on Ordinary Least Squares *robust*.

Of the key interest is the link between two variables in relation to Vietnam and her APEC trading partners. The role of corruption variables related to

Vietnam's bilateral exports and imports can be tested by comparing the adjusted R-square of the models with and without the CPIs. All models include the country-pair effects and their standard errors are corrected for autocorrelation and heteroscedasticity (robust standard errors).

As we can see, the adjusted R-square statistic in models with corruption variables is always stronger than those without CPI variables. The explanatory power in models with CPI indices for exports and imports are relatively high, with adjusted R-square of 0.859 and 0.894, respectively. Meanwhile, those for models without corruption are only 0.747 and 0.884, respectively. This means that corruption plays an important role in Vietnam's foreign trade. Therefore, we cannot remove this determinant variable when doing empirical research about factors that influence the foreign trade of Vietnam.

5.1.2. Causality between two variables in the whole period

5.1.2.1. Vietnam's exports

Table 5.2 below provides the result of estimators with four different specifications of the model (1) for bilateral export value in chapter 4, including pooled OLS with robust option, country-pair fixed effects, random effects, and GLS estimator that correcting the autocorrelation and heteroskedasticity.

As we can see in the table, the GDP of Vietnam and its partners have a significant positive impact on exports at a level of 1 percent in all estimators, as expected. The other variables, including distance and border dummy, also influence significantly the dependent variable following the expected behavior as well, due to their p-value being less than 5 percent. In contrast, it is interesting to see the different estimates of other variables such as real exchange rate, FTAs, and corruption indices. While the exchange rate plays an important impact on exports in the three first estimators, it is not significant at all in the GLS model. The FTA variables have opposite directions when they are significant in the OLS, but not important contributors in the three right ones. CPI variable in Vietnam and APEC partners seem to shift their role inconsistently between all estimators.

The problems may come from the ignorance of country-pair effects and correlations between individual effects in the panel data set. The Hausman test was

applied to check which model (random or fixed) is better. The result led to the fixed effects estimator. The Modified Wald test and Wooldridge test are invited to detect the heteroskedasticity and serial correlation because it might be a problem in macro panels with over 20-30 years of data. Both issues were found. Then, the GLS estimator is applied to correct two problems in the fixed-effects model. The detail of the regression results of all models and tests are shown in Appendix 2. Accordingly, the interpretation of the results lately focuses more on GLS estimator.

Table 5.2. Estimates applied various econometric estimators for Vietnam's exports to APEC economies.

| Variables | (1) EX-OLSrobust | (2) EX-FEcountry | (3) EX-RE | (4) EX-GLS |
|-----------|-----------------------|-----------------------|----------------------|-----------------------|
| lnGDPvnn | 0.739*** [4.40] | 1.000*** [5.17] | 1.005*** [8.55] | 0.764*** [10.61] |
| lnGDPj | 0.750*** [23.87] | 0.498** [2.38] | 0.508*** [5.98] | 0.786*** [17.28] |
| lnER | -0.0818*** [-3.94] | -1.189*** [-3.20] | -0.196*** [-2.87] | -0.0230 [-0.93] |
| CPIvnn | -0.0334 [-1.19] | -0.0574*** [-3.09] | -0.0346* [-1.84] | -0.00983 [-1.28] |
| CPIj | 0.0172*** [7.46] | -0.00341 [-0.44] | 0.0107* [1.85] | 0.00824*** [2.60] |
| AFTA | 0.463*** [4.25] | 0.0367 [0.29] | 0.0457 [0.35] | 0.163** [2.42] |
| VFTA | 0.479*** [2.91] | 0.0635 [0.42] | 0.186 [1.21] | 0.0653 [0.65] |
| lnDij | -1.129*** [-19.86] | . | -1.038*** [-5.82] | -1.249*** [-16.50] |
| BD | 0.823*** [6.68] | . | 1.636** [1.98] | 0.449** [2.46] |
| _cons | -8.673*** [-2.62] | -7.902*** [-2.72] | -8.327*** [-3.36] | -9.667*** [-5.97] |
| N | 363 | 363 | 363 | 363 |
| adj. R-sq | 0.859 | 0.720 | 0.802 | |

Notes: Sample period 2000-2019. t statistics in brackets, *significant* * p<0.1, ** p<0.05, *** p<0.01. EX: Exports. OLSrobust: Ordinary Least Squares with robust option. FEcountry: Country-pair Fixed Effects. RE: Random Effects. GLS: Generalized Least Squares. N: number of observations

The control variables are now discussed, and then we will turn attention to the investigated variables – CPI indices of Vietnam and APEC economies as shown in table 5.2 under GLS estimator. As we can see, the dependent variable – Vietnam's exports – has significant relations statistically with GDP of Vietnam and her partners, FTA within and between ASEAN and other economies, geographic distance between countries, and sharing the same border with their p-value being less than 5 percent. More concretely, the coefficient of Vietnam's GDP and APEC

partners' GDP comes with expected behavior, high significance, and large magnitude. By a 1 percent increase of the economic size of Vietnam and her partners, the Vietnam's exports to APEC members rise 0.76 percent and 0.79 percent, respectively. This result indicates strongly that economic size plays a determinant role to trade flows. Moreover, Vietnam tends to export more to a country that is nearer, which means the transportation cost that is reduced as much as possible will support Vietnamese exports. It can be seen at geo-distance and border dummy variables. The distance, as expected, shows the significant negative effect on Vietnam's exports, which 1 percent further in the distance tends to reduce Vietnam's exports by 1.25 percent. Similarly, sharing the same border encourages Vietnam enterprises to export more to neighboring countries. The parameter estimate for the dummy variable ASEAN membership is a positive sign and with a significance at 5 percent level, which means that the ASEAN FTAs contribute significantly to the development of Vietnam's foreign trade. In contrast, there is no significance in the influence of the real exchange rates, which is consistent with the finding of Do & Vu (2014) and Tien (2016). Besides, the bilateral FTAs between Vietnam and its APEC trading partners seem to have a less important influence on Vietnam's exports when p-value is less than 10 percent, though it is a positive effect. This finding is also found in other papers, such as Tho (2013).

We now turn to corruption variables - the main investigated factor. It is interesting to see CPI indices of Vietnam and her partners showing the different levels of influence on Vietnam's exports. As shown in table 5.2, the coefficient of APEC's CPI variable yielded by GLS estimator is significant statistically at the 1 percent level of significance as expected. On average, one point increase in the corruption perception index of the trading partners leads to approximately a 0.824 percent increase in Vietnam's exports, holding all other factors constant. That means the corruption issue in partners seriously impacts business decisions of Vietnamese export firms. On the contrary, it seems that the corruption in Vietnam is not a considerable factor affecting its exports, as the Vietnamese CPI coefficient is insignificant. This result may be acceptable for the fact that Vietnam has been persuading the export model for a long time. Moreover, the State has implemented

various trade facilitation policies to encourage exports. Yet, even though the corrupt variable is an insignificant factor, and its magnitude is almost zero, the negative sign of Vietnamese CPI in the export model still places a question. This means corrupt behaviors in Vietnam may support the development of its exports even though it is rather small.

5.1.2.2. Vietnam's imports

Table 5.3 below provides the result of panel estimators with four different specifications of the model (2) for bilateral import value in chapter 4, which are: pooled OLS with the robust option, country-pair fixed effects, random effects, and GLS estimator correcting the autocorrelation and heteroskedasticity.

Table 5.3. Estimates applied various econometric estimators for Vietnam's imports from APEC economies

| Variables | (1) IP-OLSRobust | (2) IP-FEcountry | (3) IP-RE | (4) IP-GLS |
|-------------------|-----------------------|----------------------|----------------------|-----------------------|
| lnGDPvn | 0.598*** [4.37] | 1.199*** [7.27] | 0.793*** [7.93] | 0.822*** [10.85] |
| lnGDPj | 1.007*** [33.40] | 0.335* [1.88] | 0.847*** [13.82] | 0.860*** [17.52] |
| lnER | 0.0209 [1.52] | -0.405 [-1.28] | -0.0392 [-0.85] | -0.00153 [-0.05] |
| CPIvn | 0.0407* [1.74] | 0.0126 [0.80] | 0.0341** [2.01] | 0.0203*** [2.72] |
| CPIj | 0.00653*** [3.89] | -0.0136** [-2.08] | 0.00150 [0.35] | 0.00143 [0.49] |
| AFTA | 0.00742 [0.08] | -0.430*** [-3.92] | -0.345*** [-2.99] | 0.0712 [1.07] |
| VFTA | 0.310** [2.10] | 0.432*** [3.36] | 0.574*** [4.18] | 0.0991 [1.14] |
| lnDi _j | -0.978*** [-23.13] | . | -0.924*** [-7.83] | -0.924*** [-11.62] |
| BD | -0.619*** [-4.73] | . | -0.0273 [-0.05] | -0.261 [-0.87] |
| _cons | -15.24*** [-5.60] | -15.40*** [-6.22] | -15.37*** [-7.54] | -16.38*** [-9.05] |
| N | 364 | 364 | 364 | 364 |
| adj. R-sq | 0.894 | 0.843 | 0.871 | |

Notes: Sample period 2000-2019. t statistics in brackets, *significant* * p<0.1, ** p<0.05, *** p<0.01. IP: Imports. OLSRobust: Ordinary Least Squares with robust option. FEcountry: Country-pair Fixed Effects. RE: Random Effects. GLS: Generalized Least Squares. N: number of observations

The estimate process was done just the same as the process for the export model, in which the country-pair fixed effects and random effects were estimated first. The Hausman test was applied to choose the better estimator. A very same result as export model happened when a favor of the fixed effects was shown. The

heteroskedasticity and serial correlation were tested and found. GLS estimator then was invited to correct the two problems. Hence, the results of estimation for Vietnam's imports lately focus on GLS estimator in table 5.3. The detail of regression results of all models and tests are shown in Appendix 2.

Again, the direction and significance of economic size and the distance between Vietnam and its partners affecting Vietnamese import value are the same as exports. A positive sign of GDP coefficients of Vietnam and partners with the significance at 1 percent level indicates that the growth of Vietnam's imports relies significantly on the development of all partners. 1 percent growth of Vietnam and partners' economy leads to 0.82 percent and 0.86 percent expansion of the import flows from APEC to Vietnam, respectively. The distance's parameter estimate is significant and bears a negative sign again. Obviously, this result supports the gravity theory that the higher payment for transport cost is, the fewer trade demands. On the contrary, the border dummy with the negative sign of coefficient indicates that Vietnam may not prefer importing from its neighbors. However, this dummy is insignificant, so it may not be a worthy consideration. Interestingly, though the positive coefficient shows FTAs support the trade growth, it seems that multiple or bilateral FTAs with ASEAN or non-ASEAN are not an important influence on Vietnam's imports. The exchange rate has once again an insignificant effect on the trade of Vietnam.

Turning to the role of corrupt variables, the parameter estimates for CPI in both Vietnam and partners bear a positive sign though their significant levels are different. This result can be interpreted that corruption seems to discourage international trade. Surprisingly, it appears that corruption in Vietnam is a critical factor that restricts trade with significance at 1 percent level. By increasing 1 point of Vietnamese CPI index, Vietnam's imports is supported to grow by approximately 2 percent. Thus, we can clearly see that the impact of Vietnam's corruption on its imports needs serious consideration. Also, curbing corruption in APEC partners may be a solution for the growth of Vietnam's imports, though it is not as severe as in Vietnam. As can be seen in table 5.3, the effect of APEC's CPI variable on imports is positive as expected. A better situation of anti-corruption in the partners

leads to an expansion in Vietnam's imports. However, the effect is rather small and insignificant. This behavior is totally in the opposite direction in comparison with exports.

5.1.3. Robustness overtime

In addition to the above estimations for the whole period 2000-2019, the robustness of results is also carried out for two sub-period 2000-2008 (pre-crisis) and 2009-2019 (post-crisis), in which the year of 2009 is noticeable because of the severe global financial crisis in 2008 and the broader implementation of Vietnam e-customs systems. The alternative regressions are done to test if there is any change in Vietnam's foreign trade and the effect of factors between the two periods of time. The results are presented in table 5.4 for exports and table 5.5 for imports as followed.

5.1.3.1. Exports

All the parameter estimates in the post-crisis period have the same direction as well as the level of significance as in the full sample. Meanwhile, in the pre-crisis period, almost all variables share the same sign and level of significance with the other two samples, except that the coefficient on the dummy variable of ASEAN - FTAs are insignificant statistically and the real exchange rate's effect turns out to be significant at 10 percent level of significance. The change of ASEAN-FTAs' effect may be explained by the fact that almost FTAs within and between ASEAN and other strategic partners have turned into actual enforcement after the crisis. Then Vietnam's exports ties with ASEAN-FTAs have begun to become stronger and deepen only after 2008. The picture can be seen clearly in the higher significance and a double magnitude of the AFTAs variable's coefficient. Moreover, the coefficient of partners' GDP increases from 0.7 in the former sub-period to 0.8 in the latter sub-period. That means the dependence of Vietnam's exports on APEC's economic size seems more noticeable after the crisis. On the contrary, some coefficients change considerably in a downward trend, such as GDP of Vietnam, geo-distance, and border dummy. This indicates that Vietnamese exporters seem to explore effectively all FTAs and new technologies to expand new

markets, enhance distribution networks, and reduce the reliance on neighboring markets.

Table 5.4. Gravity model's estimations for Vietnam's exports to APEC economies in sub-periods

| | (1) EX-GLS 2000-2019 | 2) EX-GLS 2000-2008 | (3) EX-GLS 2009-2019 |
|-----------|----------------------------|---------------------------|----------------------------|
| lnGDPvnn | 0.764*** [10.61] | 0.933*** [10.61] | 0.651*** [4.91] |
| lnGDPj | 0.786*** [17.28] | 0.705*** [16.23] | 0.808*** [21.63] |
| lnER | -0.0230 [-0.93] | -0.0456* [-1.75] | -0.0353 [-1.38] |
| CPIvnn | -0.00983 [-1.28] | -0.0143 [-0.81] | -0.00335 [-0.39] |
| CPIj | 0.00824*** [2.60] | 0.0172*** [4.95] | 0.0109*** [3.57] |
| AFTA | 0.163** [2.42] | 0.122 [1.41] | 0.240** [2.25] |
| VFTA | 0.0653 [0.65] | . | 0.206 [1.63] |
| lnDij | -1.249*** [-16.50] | -1.416*** [-18.65] | -1.014*** [-13.36] |
| BD | 0.449** [2.46] | 0.714*** [3.68] | 0.623*** [3.85] |
| _cons | -9.667*** [-5.97] | -10.46*** [-5.18] | -9.644*** [-3.06] |
| N | 363 | 159 | 204 |
| adj. R-sq | | | |

Notes: Sample period 2000-2019. t statistics in brackets* p<0.1, ** p<0.05, *** p<0.01. EX: Exports. GLS: Generalized Least Squares. N: number of observations

Getting down to the impact of corruption, we can see evidently in table 5.4 that the parameter estimates of corrupt variables for Vietnam and APEC economies in both sub-samples and the full sample share the same direction and the level of significance. Elaborately, the corruption in APEC members shows the serious detrimental effect on the trade flows from Vietnam to its partners. In contrast, the issue of corruption in Vietnam seems not to be a determinant of exports. However, the negative sign of Vietnamese CPI variable once again should be of major concern and in need deeper investigation. Does this finding mean that corruption in Vietnam benefits the growth of its exports though the contribution is not significant? This result will be discussed more elaborately in combination with the discussion of the interviews below.

Of another particular note is that the influence of corruption in both APEC counterparts and Vietnam on the Vietnamese exports seems to have decreased after 2008. The magnitude of coefficient of APEC's CPI index has been reduced slightly in the latter sub-period, from 0.17 in the pre-crisis period to almost 0.11 in the post-crisis period. This means that if the APEC business' environment wipes out corruption more effectively and its CPI point is up 1 point, it will support 1.1 percent growth of Vietnamese exports in the period of 2009-2019, a reduction of 0.6 percent in comparison with its effect in 2000-2008. Sharing the same movement, the negative sign of Vietnam's CPI variable also has also dropped dramatically from 0.014 in the former sub-period to 0.003 in the latter sub-period. The result can be interpreted that the influence of Vietnam's corruption on its exports is going to be totally and rarely insignificant.

5.1.3.2. Imports

Table 5.5. Gravity model's estimations for Vietnam's imports from APEC economies in sub-periods

| | (1) IP-GLS 2000-2019 | (2) IP-GLS 2000-2008 | (3) IP-GLS 2009-2019 |
|-----------|----------------------------|----------------------------|----------------------------|
| lnGDPvn | 0.822*** [10.85] | 0.718*** [8.50] | 1.191*** [8.69] |
| lnGDPj | 0.860*** [17.52] | 0.879*** [27.84] | 1.001*** [29.30] |
| lnER | -0.00153 [-0.05] | 0.0228 [0.98] | 0.0358 [1.48] |
| CPIvn | 0.0203*** [2.72] | 0.0329** [2.12] | 0.00518 [0.59] |
| CPIj | 0.00143 [0.49] | 0.00758*** [2.82] | 0.00252 [0.95] |
| AFTA | 0.0712 [1.07] | 0.118* [1.76] | -0.0797 [-0.86] |
| VFTA | 0.0991 [1.14] | . | 0.206** [1.97] |
| lnDij | -0.924*** [-11.62] | -1.256*** [-19.61] | -0.818*** [-12.56] |
| BD | -0.261 [-0.87] | -0.214 [-0.76] | -0.870*** [-4.26] |
| _cons | -16.38*** [-9.05] | -12.44*** [-6.17] | -30.44*** [-9.10] |
| N | 364 | 159 | 205 |
| adj. R-sq | | | |

Notes: Sample period 2000-2019. t statistics in brackets * p<0.1, ** p<0.05, *** p<0.01.
IP: Imports. GLS: Generalized Least Squares. N: number of observations

Interestingly, the robust effect of variables on Vietnamese imports seems to be fluctuating over time. The coefficients of Vietnamese GDP and its partners' GDP come with expected positive and significant signs in both 2 sub-samples and the whole sample. As shown in table 5.5, a 1 percent growth of Vietnamese GDP and APEC's GDP has led to a 0.72 percent and 0.88 percent increase in Vietnam's imports value in 2000-2008, and a 1.19 percent and 1 percent expansion of imports in the post-crisis period respectively. Yet, the higher significance and larger magnitude in the post-crisis period indicate that the dependence of Vietnamese imports on the economic growth is more serious after the financial crisis in 2008. Meanwhile, we can see the negative sign of geo-distance seems to have been reduced overtime, and the influence of trade with neighbors has also decreased significantly. These trends illustrate that the Vietnamese importers are trying to overcome the cost suffering of consignment's transportation and approach to new and expanding markets by exploring new technologies and new transportation methods and freight forwarding. Surprisingly, the impact of FTAs has been changing over time when other FTAs have been into force. In the pre-crisis period, the effect of ASEAN-FTAs on imports was significant at the level 5 percent of significance when other bilateral FTAs between Vietnam and other APEC members were not effective. Nevertheless, the scenario changes in the latter sub-period when bilateral FTAs show the vital role of new markets.

Focusing on variables of corruption now, we can see the almost magical changes in the robust influence of corruption in Vietnam and APEC members on their bilateral trade flows over time. The parameter estimates of all corrupt variables in both sub-samples and the whole sample yield a positive sign, which means that the better the control of corruption is, the more facilitation of trade is. However, the significance and the magnitude of coefficients change considerably and incredibly. In the former sub-period, corrupt behavior in both Vietnam and its partners plays essential roles in the trade growth at the 5 percent and 1 percent of significance level respectively. When Vietnam and other APEC members tackle more effectively their corruption issue, and their CPI index goes up 1 point, it will lead to an expansion of the import flows from APEC economies to Vietnam by 3.3 percent and 0.76

percent, respectively. This can be interpreted that the impact of Vietnamese corruption on its imports seems to be more severe than its partners. Strikingly, in the latter sub-sample, the effect of corruption in Vietnam and trading partners turn noticeably to be insignificant. Though its coefficients still bear a positive sign as expected, the effects are rather small, only 0.005 and 0.002, respectively. Hence, we can assume that corruption will be an insubstantial factor over time, and imports are going to rely crucially on other factors than corruption.

5.1.4. Summary of quantitative results and presumptions

As we can summarize the previous analysis, *international trade is affected negatively and significantly by corruption in the importing countries, but not really influenced seriously by corruption in the export countries*. Looking into the export flows from Vietnam to other APEC trading partners, we can see that the level of corruption in APEC members (as importing countries) is one of the main determinants that impede Vietnamese exports. Similarly, the picture for trade flows from APEC counterparts to Vietnam is also the same as exports. As can be seen in the empirical analysis above, corruption in Vietnam (as the importing country) hinders the import flows significantly. In contrast, corruption in its export partners does not play such an important role that influences trade growth. Still, there are some other points if we pay attention to the impact of Vietnamese corrupt issue on its foreign trade, especially the different influence of corrupt behavior on imports and exports.

(i) Negative impact of Vietnam's corruption on import flows from APEC economies to Vietnam

Apparently, corruption tends to restrict dangerously the development of Vietnamese imports from APEC trading counterparts. It is evident that bribery that incurs inside the trade process can be considered an extra hidden tariff imposed on imports and places a weightier cost demand on importers' expenses. This problem then brings an undesirable state of lower profit for businesses, generates a shortage of finance sources, and hampers the business circle. Besides, time is another consideration of traders when doing international business. Corrupt behavior at the borders may create a delay in the clearance or detention from the release of goods

at ports and border gates, which directly impacts on the buy-and-sell model and manufacturing processes that rely on the time-on-delivery requirement. Of course, specifically for some cases in the short run, paying bribes to customs and OGAs to bypass procedures of obtaining import licenses, the permission of clearance, avoiding or breaching the requirements of health, safety and/or quality may benefit businesses immediately in reducing the import taxes and fees, or may speed up the import process. However, the consequence may be more severe when numerous scares of corruption-related unsafe imports have been detected, which may frighten the domestic consumers, then reduce their demand for imports (OECD, 2017, citing UNGC, 2010).

More importantly, the tax of bribery is unlikely as other normal tax payments. Even firms pay higher transaction costs which include bribery but still experience high risks of keeping confidential and losing their dependence in business' decisions to other parties who join the corrupt acts. In the long run, corruption will damage the capital flows and internal control of firms, limit firms from sustainable development. These burdensome impacts create a vicious circle for private sectors, distorts their competition, breaks down enterprises' reputation which are becoming more and more important criteria for success in global business. Private sectors then may find it acutely tricky to conduct business with commercial companies due to the risk of corruption. Eventually, it leads to a decrease in international trade, and the inequality and inefficiency of the whole economy. To a great extent, the burden of cost and time derived from corrupt acts are highly severe for small and medium enterprises (SMEs), the largest proportion of Vietnamese firms, who are unable to bear the cost of corruption and also are the most vulnerable players due to a lack of legal supportive resources and insufficient financial sources (CENSOGOR & VBF, 2017:10).

In addition, the corruption in Vietnam may also place an impediment to the trade flows of materials, semi-finished products, machinery, and equipment imported for export processing and manufacturing industries. In recent years, trying to attract more and more foreign direct investments and improving the manufacturing industries is one of the main strategies of Vietnamese government

in developing its economy. The adverse effect of bribery and fraud in the trade process is not only the shortfall of finance effectiveness but also leads to the reduction of confidence and trust of foreign investors in the Vietnamese economy. ‘Too many good businesses are losing out on opportunities to corrupt competitors, or choosing not to take a risk on an investment or entering a new market in the first place for fear of encountering corrupt practices’²⁸ concluded Patrick Burnson – an executive editor of a web-based magazine in 2015. Thus, the negative influence of corruption is definitely the backwardness of Vietnamese administrations’ efforts in attracting FDIs and may cede the economic opportunities of Vietnam to other competitors in the Asian region. Eventually, corruption hampers the growth of Vietnam’s FDI and then its foreign trade as well.

Following now are the assumptions of underlying reasons or causes of Vietnam’s corruption and its effect on imports. The prominent explanations can go to: The complicated trade regulations, the diversification of tariff systems, and the phenomenon of culture.

The complicated foreign trade regulations are an obstacle to the trading across border process. As being different from domestic trade, imports and exports are under the control of various laws and regulations, international commercial rules and national trade laws, such as the Laws on Customs, Maritime, Quarantine, Food Safety, Environmental Protection and Quality of Goods. All these regulations and laws aim to guide and control the whole importing process, from the time of signature of a commercial contract to the arrival of consignments to the importer’s warehouse. The complicated procedures and complex regulations for importing a consignment cost importers time and money then may favor corrupt behaviors to bypass these cumbersome procedures. As in Vietnam in June 2016, there were still 344 legal documents issued by the State and OGAs²⁹ that related to the control and specialized inspection of more than 100,000 importing and exporting products.

²⁸ <https://www.scmr.com/article/corruption-in-the-global-supply-chain-and-the-fear-factor>

²⁹ <https://dangcongsan.vn/kinh-te-va-hoi-nhap/nang-cao-hieu-luc-hieu-gua-hoat-dong-kiem-tra-chuyen-nganh-doi-voi-hang-hoa-xuat-nhap-khau-403188.html> (In Vietnamese)

And not only that, but soon when all these laws and regulations overlap, interleaved, in poor quality and often change, traders will absolutely get an ambiguous understanding of the importing procedures, and can be easily tempted to corruption. A survey of firms' satisfaction of Vietnam customs' performance in 2015, conducted by Vietnam Chamber of Commerce and Industry, found that the major difficulties that businesses were facing in customs clearance procedure included the variety and quick change of regulations (83% of respondents); the inconsistent cooperation between customs and OGAs (60% of respondents); and the failure of disclosure and guidance of legal documents by customs officers (37% of respondents) (VCCI, 2015:35). Additionally, according to a report at the conference on enhancing the effective performance of OGAs' specialized inspections in September 2020, the legal documents of OGAs were still in poor quality and often changed or were amended. There were also about 25 groups of products, 1,051 items overlapping in conducting the OGAs' inspections³⁰.

This situation also creates opportunities for extortion of government officials, like customs and OGAs officers. Corrupt officials may detain arbitrarily the movement of consignments until traders "grease the wheels" with bribes. The related-customs corruption may be, for example, routine extortion in which customs officers receive bribes to work on the procedures of goods' clearance without any delay, or criminal corruption which criminal traders have an incentive to bribe customs official for clearance of smuggled, dangerous and/or prohibited goods (Hors, 2001). For OGAs-related corruption, the corrupt actions may be, for instance, in the form of extortion when importers try to obtain the import license, certificate of quarantine and/or food safety, or quality certificate. For some imported goods, the complex procedures can involve more than two OGAs who belong to different ministries, and under the control of conflicting regulations. Moreover, the name of inspection goods is listed without Harmonized System Codes (HS codes) that may generate confusion. Besides that, the risk management method has not been widely applied in OGAs' performance, and the specialized inspection activities at the

³⁰ <http://cand.com.vn/Kinh-te/Con-nhieu-chong-cheo-va-bat-cap-trong-kiem-tra-chuyen-nganh-612864/> (In Vietnamese)

border gate were still done manually insufficiently and ineffectively³¹. Hence, all these conditions, of course, are incentives for extortion and bribery by both officials and traders.

The complex tariff and excise taxes systems with highly diversified tariff rates that are imposed on import goods fuels the bribe-taking behaviors and/or collusion, which may be derived from the desires of both public officials and traders. As stated in a WTO report, ‘frequent changes in the applied tariff introduce uncertainty and may undermine the predictability of WTO members' access to the Vietnamese market’ (WTO, 2013:47). This may be explained by the fact that customs officials, in the form of fraudulent corruption, receive bribes offered by importers to misclassify an import good levied at a high tariff rate to a lower rate one, or they demand bribes by threatening importers with misclassification of goods into a heavier category of tariff and/or excise taxes. Still, this corrupt behavior related to tariff – barrier happens only in the situation of a large-scale diversified import tax rates and/or an import tariff is presented in unclear description HS codes of goods.

Besides that, there are also some other non-tariff barriers that encourage traders to bribe customs officers, or officials extort importers led by discretionary power to pass through the higher tax burden, such as rule of origin, quota of import goods, and permission of exemption. More clearly, if imports are accepted as being eligible with preferential rule of origin by customs, lower duty rates or zero rates will be imposed depending on the FTAs between countries. Similarly, the control of import quotas by Vietnamese government (for some products, such as rice, sugar, eggs, tobacco, salt – WTO, 2013:48) and tax exemptions which can be determined by the customs officials may often lead to rent-seeking and discretionary behavior (Ferreira et al., 2007).

Finally, *the culture of giving-receiving gifts and doing business based on the closed relationship* should be considered as another underlying root of the widespread corruption in Vietnam. It hampers eventually the overall business

³¹ <https://tapchitaichinh.vn/su-kien-noi-bat/su-kien-tai-chinh/nang-cao-hieu-qua-cong-tac-kiem-tra-chuyen-nganh-hai-quan-qua-cai-cach-hanh-chinh-119349.html> (In Vietnamese)

environment and foreign trade when making foreign investors feel it is difficult and unsafe to conduct their business. Some business practices related to this culture of the Southeast Asia country may violate international trade laws. As reported in Analysis of Corruption Risks for Investors in Vietnam, done by CENSOGOR and VBF in 2017, almost (81% of participants) claimed that ‘there would be an expectation by government officials of some gifts and/or entertainment’ and ‘this was a cultural expectation in Vietnam’ (CENSOGOR & VBF, 2017:12).

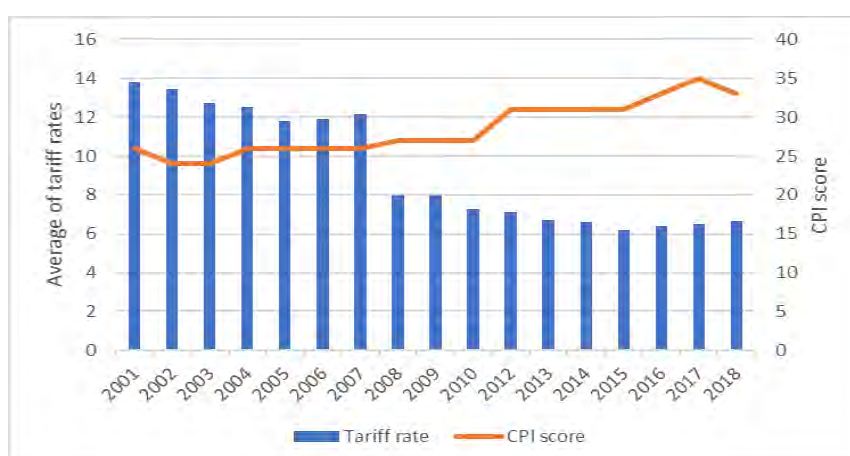
Besides the custom, the participants also pointed out the low salary of officials may be one of the underlying reasons that push public officers to become involved in petty corruption and/or request gifts or other advantages. Yet, ‘a failure to make payments would lead to delays rather than a refusal to provide the service’, as stated in the report (CENSOGOR & VBF, 2017:9). The business relationship that follows the Asian culture of giving-receiving gifts or money happens in private sectors. As provided in the same report, in doing business between Vietnamese and other Asian firms, the perception of offering and receiving personal advantages was shared and understood as the ‘Asian or local culture’. Meanwhile, for ‘foreigners’ or Western firms, ‘there was a reluctance to ask or raise the topic. Notwithstanding this, those who did not provide or receive advantages were at a commercial disadvantage, by being unable to build the same relationships with Vietnamese parties or provide the necessary incentive to win the business’ (CENSOGOR & VBF, 2017:23). Some foreign companies try to overcome this cultural trait and break the international AC laws by using the third party or intermediaries’ services in doing customs clearance and obtaining import licenses, so that they can avoid becoming directly involved in facilitation or unofficial payments (CENSOGOR, 2017:48).

More evidently, taking a look at the robust result of the gravity model for imports in previous sections, it is noticeable that the effect of corruption on Vietnam’s import flows will be less significant over time. Corruption impacted negatively and significantly on imports before 2008. Its influence, however, has become less and less significant after 2008. This may be explained by the fact that Vietnam has been a member of WTO since 2007, and almost all FTAs involving

Vietnam and other APEC members have been in force after 2008. Under the commitments of these FTAs’ policies, Vietnam has been reforming and simplifying its trade regulation schemes following international trade laws. The project named ‘Project 30’ was done in 3 years of 2008-2010, in which more than 258 procedures have been reformed to simplify administrative procedures, making them more efficient and transparent (WTO, 2013:42).

More impressively, in 2009, the trial of e-customs procedure, which started in 2005 at only two sub-departments, expanded its application to other provincial customs departments by GDVC. The revised Law on Customs released in 2014 provided a solid legal regulation to strengthen the effective operation of e-customs procedure. Then, the e-customs procedures, VNACSS/VCIS systems (sponsored by Japan), and the National Single Window system have been implemented nationwide since 2014 for 100% of customs declarations that facilitate faster clearance, reducing time and costs for both declarants and customs. Moreover, a risk management scheme has been applied in customs work using an electronic system since 2013. All these reforms and initiatives contribute to reduce the direct contact between two sides in all steps of the clearance procedure and gradually eliminate the opportunity for rent-seeking of customs officials.

Figure 5.1. The trends of CPI score and the average of tariff bound rates of Vietnam in the period of 2001-2018 (Data source: World Bank - WDI)



Noteworthy, the Vietnamese tariff systems under the FTAs’ application after 2008 is going to be more transparent and less diversified, and the average of

tariff bound rates is reducing following the committed timetable (WTO, 2013:46). Besides, the revised Law on Import and Export Tariff issued in 2016 has been clearly separated for each type of preferential tax, in line with international integration and FTAs commitments related to import and export tax. All those efforts may be an incentive to restrain the tax evasion incurring inside the trade process in Vietnam. As we can see in figure 5.1 above, while the average of Vietnamese tariff rates has been reduced dramatically since 2008 as part of the commitment of FTAs, its CPI score has been increasing gradually as well.

Hence, it is even more evident that the complicated trade regulations and the complex tariff systems are the underlying causes of the rampant petty corruption in the process of trading across borders in Vietnam.

(ii) Insignificant and ambiguous impact of Vietnam's corruption on its export flows to APEC counterparts

As can be seen in the result of regressions for the export gravity model, corruption is not a determinant of Vietnamese exports. This seems reasonable and acceptable given that as Vietnam has been pursuing the export-growth model of economy for such a long time. The Vietnam government has been applying many encouraging and favorable policies for exports, such as production supporting packages and export credits, tax incentives policies, establishing export-processing zones and attracting FDI inflows. According to the WTO report of trade review, 'nearly 300 industrial parks and export-processing zones account for a significant share of Viet Nam's industrial output, investment, exports, and employment. Although the performance of the industrial parks is highly uneven ..., many new parks and zones are on the drawing board', (WTO, 2013:10). These export policies also are pursued by the Vietnamese government with its target of restructuring and boosting the export markets so that Vietnam becomes more competitive, the result of the advantages of FTAs and can accelerate the growth of more sophisticated manufacturing industries.

Moreover, only a few certain export products have export tax duties such as metals, minerals, gemstones, nature sand, skins and wood products, and the tax rates are reduced following the commitment of FTAs in general. The Vietnamese tariff

systems is harmonized following the world standard. There were 43 groups of exports which were listed by HS 4 digits at the export tariff systems in 2002. These tariff systems in 2020, however, were listed more transparently and were greatly detailed by HTS 10 digits. The clearance procedures and customs dossiers for exports are simplified and harmonized for almost all export goods, except for some products subject to the list of export control and/or prohibition, specialized export management, or only exported under authorized condition. According to Circular 39/2018/TT-BTC of customs procedures, the customs dossier for exports includes only a customs declaration, a commercial invoice, and export licenses and/or certificates issued by OGAs only if the export product follow the conditions of control export lists above. Moreover, by applying the risk management systems, the ratio of customs physical inspection and document examination for exports is rather small. The implementation of e-customs procedures since 2009 also facilitate the export flows promptly. Thus, it is obvious that customs-related regulations for exports are exceedingly simplified and harmonized, which contribute to speeding up export flows and to eliminate the opportunity of rent-seeking by customs officials.

Yet, even though corruption impacts insignificantly on the development of Vietnamese exports, bribery may help leverage exports in some specific cases, as we see in the result of Vietnamese CPI variables in the regressions of the export gravity model. Speculatively, it can be reasoned by two main occasions: the exploitation of natural resources and the monopoly power of States-owned Enterprises (SOEs) or States Economic Groups (SEGs).

Firstly, *mineral and petroleum resources* are extremely high-rent seeking activities due to their colossal profit. In comparison with other Asian countries, Vietnam has a competition with a vast potential of mineral resources such as rare earth elements, bauxites, coal, zinc, chromite, titanium, graphite, and other minerals (WTO, 2013; Khoi, 2014). As reported by Oliver Massmann - General Director of Duane Morris Vietnam LLC, ‘the mining industry in Vietnam play a very important role in the country’s economy as mineral trade accounts for a large share of the

country's overall trade'³². The proportion of crude oil and other minerals is 17% to 25% of total export value, and might be the top value of Vietnamese exports (see Appendix 5 and appendix 6). The commercial value of these natural resources is extremely more valuable than other export products, even in a small quantity. The supreme profit and benefit may absolutely be an incredible incentive for exploiters and exporters to bribe public officials to have preferential treatments. However, Vietnam imposed royalties on these natural resources, and is one of the countries with the highest tariff on mining products worldwide, especially metal scrap. The export tax rate for almost all metal scraps in 2002 was about 45%, then reduced to 37% in 2008 and 22% in 2020. The export tax regime for the natural resources changes flexibly over time due to specific circumstances of ensuring the development of domestic industries and sustainable reservation. There have been some reductions, but also some expansion of export control and some increases in export duties such as crude oil increased from 4% in 2002 to 10% in 2020.

Besides, Vietnam has followed the policy of 'export controls on unprocessed minerals that have been applied for more than ten years...banned exports of eight minerals used as building materials' (WTO, 2013:63), and its law and regulations of mining industry has been also claimed to be unstructured and conflicted. All of the issues lead to 'the increase of illegal mining and tax evasion'³³, in which exporters have incentives for working in collusion with OGAs' officials to obtain export license and quotas, and pay advantages to customs officers for misclassification of mineral products that are levied at low tariffs, and/or cheating on the quantity of export consignment. The conditions also motivate public officials for extortion and discretionary. Thus, these corrupt behaviors, which trade-off both time and financial benefit, may facilitate the export flow for minerals and then boost the overall trade value of Vietnam.

Secondly, *the de facto monopoly of Vietnamese SOEs* in leading export industries may be another underlying reason that encourages exporters and public

³²Equitization of SOEs in Vietnam. <http://asiaminer.com/departments/legal/6317-equitization-of-soes-in-vietnam.html#.YKljggzZPY>

³³ <https://www.vir.com.vn/new-path-for-mining-industry-65176.html>

officials involved in favoritism acts. All exploited mines of the mining industry in Vietnam, for example, are processed by Government and SOEs such as PetrolVietnam and Vinacomin who produce about 95% of coal products, as studied by Oliver Massmann³⁴. Even though private sectors and foreign investors have joined in Vietnamese mining industry after the Law on Minerals was released in 2010, the industry is still being dominated by SOEs or SEGs so far. For agricultural and aquatic sectors, all the top processing and exporting companies belong to the SOEs list, such as Vinafood, Vinacafe, Vinatea, and Vietnam Rubber Corporation. The same report of WTO provided that ‘state-owned enterprises play a critical role, though decline, in production, processing and trade of agriculture products’ (WTO, 2013:100). SOEs took account more than 50% of total government revenue of economic pillars and be monopolies in such industries including minerals, agriculture, aquatic production, banking and finances (WTO, 2013; Fujita, 2017; Dang et al., 2020).

These SOEs and SEGs have more favorable treatments than other private bodies in both trade policies and capitals, including tariff and loan preference, advantages of information access, and other special preferential treatments (Fujita, 2017; Kim & Tru, 2019; Dang et al., 2020). According to OECD, ‘interference in decision-making is ... in the SOEs’ protection from competing interests that detract from its objectives. It is not ipso facto corruption, but, like conflict of interest, can represent a situation that may lead to the abuse of entrusted power for private gain’ (OECD, 2018:37). Therefore, the interference in decision-making and favoritism for the export procedure may be derived from the close relationship between these SOEs and other OGAs and customs. These interferences and favoritisms may be another root facilitating the Vietnamese exports.

Looking at the robustness of gravity models for exports in the preceding sections, we can substantiate to a certain extent these opinions. As seen in the robust results, the influence of Vietnam’s corruption on its exports seems to have decreased and has rarely been insignificant after 2009. This sign change appears to

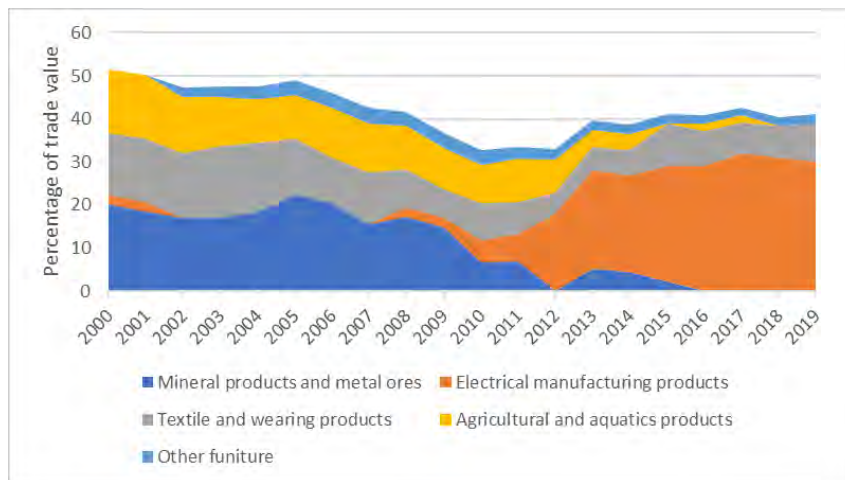
³⁴ Equitization of SOEs in Vietnam. <http://asiaminer.com/departments/legal/6317-equitization-of-soes-in-vietnam.html#.YKI-KagzZPZ>

be acceptable for the fact that Vietnam has been shifting its export structure and merchandise of trade swiftly from the low-skilled and low-added-value industries to more diversified and sophisticated processing and manufacturing industries in the last decade. As figure 5.2 visualized this trend, it can be clear that the pillar of export products in the period of 2000-2010 were minerals, textiles, agricultural and aquatic products. However, the share of manufacturers has switched to be the top dominant export sector in the after-crisis period. The share of FDI enterprises and domestic firms out of total manufacturing turnover is rising drastically (WTO, 2013). The shift resulted by the application of almost all FTAs that Vietnam joined became effectively after 2008, and the effect of the global financial crisis in 2008 on bilateral trade between Vietnam and its major trading counterparts. Vietnam has resulted in applied non-tariff measures for some manufactures.

Moreover, according to Resolution 02/NQ-TW of Strategy of minerals and mining industry to 2020, vision to 2030 which released in 2011, the Vietnam government recognized that minerals and crude petroleum products are non-renewable natural resources, thus they should be put under the control of the State for sustainable exploitation and reservation, and were targeted for the termination of the export of raw and preliminary minerals³⁵. That is why the output of this industry is gradually decreasing, and ‘recently export prohibitions and controls on several mining products were reinforced and taxes raised on others to ensure adequate domestic supplies, increased value-added and/or vital tax revenue’ (WTO, 2013:11).

Figure 5.2. The trend of top 10 groups of Vietnamese export product in the period of 2000-2019 (Data source: OEC)

³⁵ <https://tapchitaichinh.vn/nghien-cuu-trao-doi/mot-so-van-de-ve-quan-ly-nha-nuoc-doi-voi-hoat-dong-xuat-khau-khoang-san-301353.html> (In Vietnamese)



Not only has it restructured the export merchandise, but Vietnam has also implemented its SOEs privatization plan for about two decades. Vietnamese large SOEs started revealing some severe weaknesses in inefficient financial management, corporate governance, limited accountability and transparency, and lack of international competition when engaging deeply into the global business which following international laws and regulations and FTA's commitments (WTO, 2013; Fujita, 2017). As cited by WTO, 'reform of SOEs is essential to reduce risks to the economy and raise productivity and is critical for longer-term growth prospects' (WTO, 2013:23). Moreover, under the commitments of FTAs for building fair competition between state-owned enterprises and private businesses, Vietnam government began to boost the SOEs equitization tremendously in 2006. The number of equitized Vietnamese SOEs between 2001 and 2011 was over 4,300 (WTO, 2013:80), and SOEs' number only accounted for about 0.4 percentage of total enterprises in 2017 (Dang et al., 2020:2). Privatizing SOEs to equalize the business environment for both public sectors and private enterprises may be an upstanding condition for discouraging corruption in the international trade process. The activities also contribute to enhancing the performance of public enterprises and the long-term development of Vietnamese foreign trade and economy.

In summary, since the above empirical data and arguments evidence us, it can be said that corruption in importing countries impacts seriously and severely to international trade. Corruption in exporting counterparts, however, influences insignificantly to that trade flows. The root of pervasive corruption in Vietnam that

negatively impacts its imports may be explained by the complicated trade regulations, the diversification of tariff systems, and the phenomenon of Asian culture. Meanwhile, the ambiguous influence of corruption in Vietnam on its exports may be reasoned by the exploitation of natural resources and the monopoly of Vietnamese SOEs. All these presumptions will be discussed elaborately in the interviews as follows.

5.2. Interview results

Due to the sensitive issue of the research and the confidentiality of interviewees' identity, all the names of interviewees attending this research are anonymous. The anonymity of interviewees was confirmed by words in the Invitation of Participation sent by the researcher at the beginning of the research process (see Appendix 1).

As noted in the methodology section, there were two forms of conducting the unstructured interview: online interview and by email. From 6th March to 31st March, eight online interviews were conducted on Zoom and other Vietnamese social apps. The participants in online interviews were four customs officials, three managers and one staff of three logistic firms. During the same time, seven email interviews were conducted, which interviewees included two customs officials, one trader, four staff of logistic firms.

At the interviews, the most crucial open-ended question asked interviewees was their comments of empirical analysis and all presumptions of causes of the causal relationship between corruption and foreign trade in Vietnam, given in a list by the researcher. The second central question was asked for interviewees' comments on any other roots of corruption that can impact the sustainable growth of Vietnam's foreign trade. This question allows providing new possible causes which the researcher could not cover. Besides that, other questions were asked to obtain more detailed information that may back up the major questions, such as:

1. Have you ever bribe/extort somebody or involve in corrupt acts such as collusion? If not, do you know of any corrupt action?
2. Have you experience any corrupt activities that happen between private firms?

3. What is the most common form of bribery, as your experience?
4. What are the OGAs' procedures that you have found the most difficult?

Please give an example.

5. What are the customs-related procedures that you are facing obstacles?
6. Does your company or your department has Codes of Conduct (COC) that regulate proper conduct for employees?
7. What should the administrations do to reduce the problem of corruption?

In general, almost all interviewees totally agree that the three assumptions of corruption's causes provided by the researcher based on her experience and literature review mainly influence imports negatively. Some other roots of corruption were enlightened by participants, including the role of intermediaries and the inadequate income of officials. All interviewees acknowledge the insignificant influence of corruption on exports based on their experience of facilitated trade policies of the Vietnamese government for exports. However, the presumptions of corruption's causes that may speed up export flows are not confirmed confidently. As said by participants, the two presumptions may be reasons for some favoritisms for exports, but do not sure if it is the main root. From their perspective, all forms of corruption will eventually restrict trade. Follows are detailed results of such discussions.

5.2.1. Imports

(i) The complicated and overlapping regulation is concerned as a serious obstacle, especially OGAs-related regulations. There is a complete consensus on this matter by all participants. They have found confusion by the complication and overlapping problems in OGAs' legal documents, which happen at all levels, including laws, decrees, circulars, official letters. A firm manager gave an example: 'Circular No 22/2018/TT-BLDTBXH ...requires safety inspections before customs clearance of products and goods that only be installed and put into operation such as escalators, elevators... The problems are pronounced. But so far, there has been no action by OGA to solve the difficulty'. Also, customs work, be that as it may, is a big business related to all OGAs; they also have found obstacles to implement some legal documents. 'We don't know how to check and manage who authorized

subjects are when doing clearance procedure for import fertilizer, because there is still no detailed regulation at the Decree or other lower-level legal documents', as given an example by a customs official. Overlapping specialized inspection and examination by many OGAs simultaneously happen quite diverse for several groups of products. For instance, frozen seafood has to be inspected by National Agro-Forestry-Fisheries Quality Assurance Department for food safety and also examined by the Animal Health Department for quarantine (an example of a firm's staff). However, it is worth mentioning that the two departments all belong to the Ministry of Agriculture and Rural Development.

Another problem is no clear and specific regulation of the duration for issue a notification of inspection results in legal documents on specialized inspection. According to customs legal documents, import goods (if listed under OGAs' control) are cleared by customs only after declarants submit an OGAs' certificate to customs. The duration for submission is within 30 days. However, there are still cases that inspection time exceeds 30 days without any deadline. These cases can happen due to no legal article about the duration for inspection in OGAs' legal documents. This problem leads to prolongation of clearance time, unpredictable manufacturing and business circle time, loss of competitiveness, raising warehousing costs, and even penalties due to delayed delivery of goods. For some products that need to be cleared as quickly as possible, the extension of the inspection time causes economic losses to enterprises. Thus, 'enterprises will pay bribes to speed up the inspection procedures', said a logistic firm's staff.

Since 2015, GDVC (as the central coordinator) and OGAs have cooperated together to review all OGAs-related legal documents on management and specialized inspection for import-export products. Then, they all try to identify and amend the overlapping and confusing legal documents, reduce the number of lists of controlled products, and make these lists more transparent by promulgated them together with HS 6 digits codes. Even though some reforms have achieved remarkable results but have not been as expected yet. As a firm's manager concluded passionately:

'We [businesses] have acknowledged positive changes in the operation of OGAs in the last few years. For example, after recording the enterprises' complaints, the procedure for issuing a certificate of conformity for imported goods changed to be done after customs clearance and before domestic consumption. But there are still thousands of problems and inadequacies in regulations and procedures. This obstacle is absolutely a trade barrier, costs us time and money, and is also a cause of extortion by both OGAs and customs'

There is still a considerable gap that needs to be filled, and 'by new initiatives, such as the Scheme on Reforming the model of specialized inspection of quality inspection and food safety for imported goods, approved by Prime Minister in January 2021, I expect that the specialized inspection will have more positive reforms in the near future', added by a customs official.

Not only the OGAs' obstacle but the inconsistency and rapid change in customs regulations restrain the performance of traders as well. The voices from logistic firms confirmed that there had been various reforms which brighten a better performance of customs activities in the last decade. Nonetheless, in this progress of reforming and modernization, businesses experienced plentiful difficulties in catching up with the new procedures and regulations. They explained that in such progress, the e-customs systems changed a few versions, and when applying a new system meant that a collection of new and/or amending legal documents would come along. The unforeseen policies generated conflicts and improper implementation in reality. Moreover, the inconsistency in applying the policies at sub-departments occurred, which is also a condition for corruption. One manager of a logistic firm said '*...the complication and rapid change of numerous trade legal documents required us time to adapt the new things. And not only that, some regulations were super inconsistent. In such circumstances, we [businesses] were not confident of doing the trading process without any conflict. As customs is the most determinant of the clearance process, their permission is vital. Thus, the extortion and bribery incurred'*. Yet, the participants believed that all efforts to

simplify and harmonize customs procedures that GDVC is pursuing would somehow contribute to reducing corruption inside the customs workforce.

(ii) The implementation of some reforms is not efficient as expected.

Alongside simplifying and harmonizing the trade-related legal documents comprehensively, electronic procedures are another solution that expects to facilitate the trade flows and reduce the direct contact between traders and public sectors. There have been tremendous e-system applied to the Vietnamese foreign trade process, such as ECUS, VNACC/VCIS, VASSCM, NSW (National Single Window), e-manifest, e-seal since 2009. Of course, it cannot deny the sweet results of some reforms in reducing the time and money for businesses. Yet, some applications of information technology are still limited in both scope and quality. A comment of a customs official was: ‘...the support systems are still fragmented, causing difficulties for users. For instance, VNACCS/VCIS system has not been integrated fully with 17 satellite software in analyzing and managing the output of clearance permission. This problem somehow may cause a longer time of customs performance than the expectation, and the control of improper actions may also not meet the target...’.

Adding to that, the incompletely electronic procedures in OGAs’ activities was captured the most criticism by participants from private sectors. The criticism included the low transmission speed, the frequent error of IT systems, no data sharing between customs and OGAs. In addition, ministries are not unified and not closely linked to these electronic systems. Most importantly, there has been a parallel existence of procedures in which traders have to carry out e-procedures on NSW and also submit paper documents to OGAs. This problem may create a delay within the trade process and interrupt the import procedure. Also, it may push the traders to do some illegal acts to ensure the consignment can be delivered on time. ‘Some requirements for a dossier are so difficult to be done. We must print and also submit paper documents, even if electronic procedures have been performed. Sometimes, we have to go forth and back several times to complete a procedure. This situation seems to cost us more time and money than before. That is why we consider paying unofficial fees to expedite the process’ admitted a firm’s staff.

(iii) *The culture of giving money is really a problem.* Again, this culture is confirmed as a root of pervasive petty corruption in all phases of the trade process, becoming a systemic problem. It destroys traditional morality and people's trust in social values and the administration. People quietly recognize this culture. Even for many people, it is a sign of wise conduct. A personal share of a logistic firm's staff was:

'...Vietnamese has a quote 'Đồng tiền đi trước là đồng tiền khôn' (translated as 'The money that goes first is the smart one'). We automatically put a small amount of cash in the file when submitting it. This is a pre-existing custom, a habit; we follow that practice. If I don't do that, I'm afraid I'll be discriminated against, get timed out, or trouble...'

This culture occurs not only in private-public relations but also in the relationship between private enterprises, especially Asian companies. The thought of building a good relationship by giving gifts incurs in every business from the first moment, and this behavior is considered as a precondition for a long-term smoothy relationship. *'Asian enterprises are heavily influenced by traditional Asian culture. The concept of giving gifts (with small value) to partners to maintain a good relationship is still quite popular'*, as shared by a manager of an Incheon-headquarter logistic company. A customs official argued that the view that bribery is an 'inevitable' part of doing business is quite common, leading enterprises to accept informal payments. Thus, from being victims, companies sometimes have become a part of corruption actively.

According to participants, the most common form of petty corruption was 'grease cash', usually a small amount of cash that has been determined implicitly for each transaction. The petty corruption incurs in every step of the trade process, from negotiating commercial contracts to transporting imports to importers' warehouses. The corrupt acts involve various occupations. In the own words of an interviewee: 'We run various services including shipping lines, freight forwarders, customs broker. To make our services satisfy the customer's requests, especially the time requirement, we may follow the local custom to make the transaction faster. For instance, if a consignment is required to release earlier or needs a physical inspection at the port yard of inspection, we even give money to the staff of the port

warehouses company to ask them to unload our container earlier. So, you can imagine the problem happens in every activity, not only public procedures.’

(iv) The complicated tax regulations have been a strong incentive for corruption. All participants, both the private sector’s interviewees and customs officials, are likely to be of the same mind when talking about this obstacle. According to them, the diversification of the tariff system and its complex legal regulations cause struggles for clearance procedures and also opportunities for rent-seeking. In detail, private sectors claimed that product descriptions in HS have not been elaborate and straightforward, driving the wrong classification of HS codes for imports, the different classification between customs and importers. Sometimes, this situation even occurs between customs sub-departments. One explained: ‘...even if our HS code is classify based on the nature of goods and the code that was applied at the exporting country, it still can be rejected by Customs. We [traders] will then have to carry out the complicated procedures of HS code consultation and/or goods verification. You know...these procedures can take up to 1-2 months at least, time-consuming and costly make us so exhausted ...’.

Additionally, the other obstacles related to tax duty may be the calculation of imports’ customs value. Some participants from the private sector criticized that the customs determine a higher customs value of goods than the actual value of imports. One said, ‘The trade of goods depends on the capacity and relationship of the seller and the buyer. Sometimes, we [importers] even may have a better price than other companies. Although we provided all sufficient evidence to prove our declaration of goods’ value, but customs still impose a higher customs value...’. Also, the procedure of customs value consultation is so complicated. Still, it is worthy to notice that the misclassification has been intentionally done for lower tax duty, supported by collusion between customs and traders. The same interviewee shared that there are still varieties of similar goods but are imposed a super different tax rate, and also noticed the discretionary of customs in determining customs value. Thus, corrupt acts commonly occur when relating directly to the finance and profit of traders.

From the customs side, some officials explained the underlying reasons for wrong classifications and the conflict in determining customs value might be both the unclear description of goods in HS and lack of capacity of customs officials. Interestingly, some protected the view that the complicated tax regulations aim to prevent the smuggle and tax evasion. On the contrary, some others admitted the discretionary power of customs in such taxation-related procedures. But in the end, all participants agreed that tax-related procedures are always the most complicated and complex procedures and be the most rent-seeking field in the trade process due to direct relation to the business's profits. This obstacle obviously restricts the trade flows.

(v) The role of intermediaries in spreading rampant corruption.

Surprisingly, the role of third party's services in spreading petty corruption in Vietnam was given a mountain of concerns by not only customs interviewees but participants of enterprises. The customs-related services of third parties in Vietnam now are including two main forms, customs broker and customs declaration service. In detail, the customs broker is a service operated by a company whose staffs have a customs broker's certificate, using their own digital signature to do all customs procedures to obtain clearance permission and taking all legal risks. Customs brokers and importers must sign a legal contract of service, declaring all terms of responsibilities and rights of both sides. On the contrary, the customs declaration service is a service of a company or an individual for consulting and/or doing all customs procedures to obtain clearance permission by using importers' digital signatures. Thus, the service company does not have to take any legal risk but the importer. Customs brokers seem to be a better choice in both legal issues and services. Still, the declaration service is much more popular in reality than the other one due to various reasons.

Yet, the most important concern here is these companies or individuals accept bribery or sometimes extort their clients when doing customs-related services. As admitted by a manager of a logistic firm in his own words:

'...the unofficial payments for officials are included in the service payment, charge for our clients. It is written down in a contract's term named 'other

cost'. We [service companies] know that it is illegal, but you know, it is reality...'

Another participant added that traders using the services are usually SMEs who have neither their own import-export department nor experiences and will to pay a certain fee for services that they do not know clearly. In this case, the traders cannot manage all costs, especially extra costs. Hence, some companies without professional services take advantage of extorting money from their customers intentionally. Additionally, a customs official pointed out that Vietnamese traders have not been aware of customs agents' value properly, then paying them low fees, which leads to extortion derived from the 'need' not the 'greed' by agents sometimes. He also added another reason that these intermediaries accept unofficial payment was lack of capacity. Many customs brokers have not actively regularly updated trade policies and customs procedures. Therefore, mistakes still occur when the staff is doing the services. This situation motivates both sides, customs agents and customs officials, involved in corrupt acts.

More surprisingly, when being asked if the company has any AC rules or Codes of Conduct in which the employees can follow, the answers of managers and staff at foreign logistic firms were likely inconsistent. Managers declared that their companies have such COC that applied at all branches, including the Vietnamese branch. But their staff seemed to be confused about those conducts. Some staff did not know if the company has COC or not. Some said they had been trained about COC one time. However, that COC was ignored practically when they do their job. Thus, lack of corruption control at enterprises may negatively impact the reliability and capacity of these intermediaries, then ultimately turn down their services and the trade flows.

(vi) The wage of public officials is still inadequate

The low salary stood out as another big incentive for extortion by public officers. Some officials commented that the root of petty corruption generated by public servants is fundamentally the 'need', not the 'greed.' One pointed out that '...public servants are well-trained people, requiring both good knowledge and experience. But their salaries are still too low, only meeting around 60% of the

living needs. So, what motivation will encourage them to be creative or devote their gray matter value for the performance of organizations?'. According to them, the low wage that cannot afford a family's life will lead to 'deprivation syndrome'. This unfavorable condition encourages public servants to 'compensation,' in which they take advantage of their position to extort and receive bribes.

Along this line, another official spoke out personally: *'In just the past 5 years, the minimum salary per month for public officials has been adjusted 5 times, from 450,000 VND [about 25 US\$] to 1.05 million VND [about 50 US\$]. Still, it has not been enough for the minimum needs. Let me give an example: the average monthly salary for a newcomer of customs is about 4 million VND [about 200 US\$], even a 10 years senior earns only about 12 million VND [600 US\$]. Compare to the average income of private sectors, the gap of income is clearly visible. It also is not a problem of increasing salary, but ensuring the salary is keep up with the increase of necessities' price or inflation. Inadequate wage while having opportunities for rent-seeking. Is it a perfect motivation for corruption?...''*

Interestingly, one participant gave a surprising opinion about the systemic corruption inside the recruitment process of administrations. He noticed paying money to obtain a position at public organizations and criticize it as another root of 'compensation'. As his explanation, a combination of a low salary and the desire for compensation pushed officials to take advantage of their positions as much as possible to extort money to earn back whatever they paid for getting the position. This matter shows acute problems of not only the low salary but lack of transparency within the recruitment process and the inefficient control of corruption of the public sectors.

5.2.2. Exports

Overall, all interviewees have a strong consensus statement that corruption is not a determinant of exports in Vietnam. Its influence is minuscule as the State has pursued an export-led model for such a long time since the 'Doi Moi'. The open trade policies that target increasing the export value and volume, expanding the export markets, attracting FDIs, and developing the domestic manufacturing

industries are highly appreciated. The trade facilitation for exports does not provoke any party involving in such corrupt acts fundamentally.

Nonetheless, as discussed on the root of corruption that may speed up export flows, all participants did not give any concrete opinion. The participants of both sides, private sectors and public sectors, all agreed that the exploitation of natural resources and the SOE's dominance might originate bribery and favoritism within the export process. According to them, it cannot be denied that the State budget used to rely conclusively on the exports of high-value raw minerals and crude petroleum in the 2000s and early 2010s. Further, the enterprises who were permitted to explore and exploit such natural resources were all big SOEs or SEGs. Thus, favoritism is definitely 'inevitable'. Of course, the high profit of such businesses motivates people to do whatever illegal and 'greed' actions to earn more and more. All these things may create a rise in exports.

Still, they could not confirm whether these issues were the primary roots of the anomalous effect of corrupt acts on export flows. This uncertainty does not indicate any inconsistency between the interviewees' idea and the researcher's one. It must be understood that their experience when working at sub-departments and private enterprises may not serve as the same as researcher's experience who is working in the headquarter and being in charge of making policies.

Notably, an official gave another opinion of the causality between corruption and exports. He said: *'...most of Vietnam's exports are tax-free or are levied at low rates, and its prices are usually quite competitive when exporting to APEC countries. Additionally, the cost of corruption in Vietnam is not strictly controlled as in other APEC developed countries and be easy to legalize. Then, corruption's cost does not ultimately raise the export prices too high, still ensure the competitiveness of exports. Hence, adding to policies of facilitating exports, corruption can make the export procedures more simplified and faster in some cases, then leverage the export volume...'* In his opinion, the cost of petty corruption for exports may be much lower than the benefit, and it may be another root for the ambiguous impact of corruption on Vietnamese exports to APEC.

By way of review and summary, we can say that the adverse impact of corruption on Vietnam's imports from APEC counterparts is caused by (i) the complicated and overlapping trade regulations, (ii) the diversification of tariff systems, (iii) the Asian culture of giving-receiving gifts, (iv) the inefficient implementation of some trade reforms, (v) the role of intermediaries, and (vi) the inadequate wage of public officials. Meanwhile, the roots of the ambiguous influence of corruption on Vietnamese export flows to APEC members may be (i) the exploitation of natural resources, (ii) the dominance of Vietnamese SOEs, and (iii) the variance in the benefit and the cost of corruption for exports.

5.3. Discussion

Most importantly, it needs to confirm again that the main finding of the research is evidence supporting the theory that corruption in importing countries particularly hinders international trade. Yet, before discussing that finding, a short discussion in the empirical data may widen our results. As we can see, the data's volume is still more than enough for a confident argument of regression's results. The limitation on the sample of countries, the number of explanatory variables, and the correlation between some explanatory variables may be the problematic issue, which may cause endogeneity and the different results in different estimators. However, as mentioned in the methodology section, various estimators and tests were applied to find the most suitable estimation and correct problems. All those works controlled the endogeneity bias and gave reliability to the empirical results of the research.

Follows are discussions on the detailed findings of this study. First of all, even corruption impacts insignificantly the outflows of Vietnamese products to APEC counterparts, its anomalous effect should not be ignored. This finding does not mean that Vietnam differs from other countries. The world experienced this ambiguous finding in other studies before. For instance, Gil-Pareja et al. (2019) found a positive effect of corruption on trade at low and middle-income countries. Svensson (2012) found the same result when studied the foreign trade of China in particular. This strange effect may occur in such developing countries that have weak governance.

Nevertheless, following the arguments in the preceding parts, we can proclaim that unusual influence cannot prolong its existence. Reforms in mining industries and the privatization of SOEs are unavoidable due to the inefficiency and extortion in the fields. Considering the global trade picture, even if these enterprises keep having such favorable treatments, the added cost of corruption will put somewhat heavy pressure on their turnover at long last. Hence, the better control of corruption, the better profit they earn. Also, the competitiveness of Vietnam, such as cheap labor cost, young population, natural resources during the globalization is going down its effectiveness in the rise of skilled labor, advanced technologies, eco requirements, modern transportation. The facilitated payments that are transferred to the good's value will turn back into an increase of the exports' price in the end; then, the price of Vietnamese exports cannot keep its competitiveness of low cost. Therefore, the cost of corruption will hamper trade and economic growth in the long run. Keeping it in mind, we can declare that the strange effect of corruption on Vietnamese trading outflows will not act the same in the future.

Secondly, the remarkable finding of this study is the seeds of corruption incurring in the international trade process in Vietnam. The severe effect of corruption can be without doubt. And more importantly, finding the roots may help the AC programs being more efficient. Along with somehow predictable causes of corruption found in previous studies, as shown in the chapter of literature review, some other surprising roots are indicated. The complicated trade regulations, the diversification of the tariff system, and the Asian culture were presented as presumptions by the researcher based on her own experience and literature review in the context of Vietnam. Meanwhile, the inefficient and incomplete implementation of some trade reforms and the rampant corruption in intermediaries and private enterprises are criticized by interviewees as origins of pervasive petty corruption that blacks Vietnamese trade environment. This root, be that as it may, was already found in some studies, like TI (2009), Cuervo-Cazurra (2016), and OECD (2017). TI (2009) documents that small and medium enterprises (SMEs) play an important role in doing business and occupy a significant proportion of the business sector, especially in developing countries. Nevertheless, the limited

awareness of SMEs about corrupt behavior legitimately, scarcity of resources and little supportive networks for extortion put more pressure on SMEs to supply bribery to public officials and private counterparts to run their small businesses (Burn, 2009). Besides, Cuervo-Cazurra (2016) points out that the corrupt incentives may originate from the managers of companies for their interests like tariff evasion, misclassification of imports, illicit trading consignments, or career advantages themselves.

Apparently, the Vietnamese AC strategies and programs, especially the recent unprecedented AC activities led by the ‘grey old man’ Party General Secretary Nguyen Phu Trong, have remarkable results and growing recognition by both citizens and internationals. The credit can be seen in the gradual rise of Vietnamese ranking in the annual Corruption Perspective Index report conducted by Transparency International, from 127 in 2010 to 96 in 2019. As mentioned in chapter 2, the Vietnamese AC legal system, compared to other Asia countries, is assessed as ‘strong’ (Martini, 2012; WTO, 2013). The AC legislative process can be noticed since 2003 when Vietnam signed to apply in part the UN Convention against Corruption. The Convention then was ratified in 2009, making it official valid in Vietnam’s AC legal application. For trade AC policies, in particular, Vietnam must apply transparency requirements in such agreements, like ASEAN Parties Against Corruption, the Anti-corruption action plan for Asia and the Pacific, CPTPP Transparency and Anti-Corruption.

Other important legal documents are the Law on Anti-corruption (issued in 2005, amended four times before released the new AC Law in 2019), the Panel Code (established in 1999, amended in 2009 before superseded by the new one in 2015, and amended in 2017), the Law on Denunciation (published in 2011, and replaced by the new Law in 2018), and the National Anti-corruption Strategy Towards 2020 issued in 2009 (see Appendix 4). Alongside accomplishing the AC regulations, improving the work of the ACAs in Vietnam was another solution that the State is running after. The most noticeable occasion is establishing the Central Steering Committee on Anti-Corruption chaired by the General Secretary of Communist Party, followed by other ACAs including the Government Inspectorate,

Inspectorate Departments at ministries and local administrations, the State Audit, and the People's Procuracy.

Notwithstanding all these efforts, as seen in the findings of corruption causes, we can illustrate some challenges for such AC programs. They may be the ignorance of corruption in the private sector, the ineffectiveness of ACAs and human resource management, the lack of integration between trade stakeholders, and the incompleteness of some trade initiatives.

The first thing to mention is that the Vietnamese AC legal system used to be criticized for ignoring corruption in the private sector (Martini, 2012; UNODC, 2014). The old Law on AC focused on the public sectors, indicating the people have positions and/or powers was only civil servants, public officials, party members, or people who have positions at SOEs were the target of AC programs. Corruption in private spheres might not be appropriately controlled. Suppose the concept of corruption focuses only on public corruption. It may lead to all anti-corruption policies targeting public players only as of the demand side of bribery and extortion but ignore the supply side - the private actors (Cuervo-Cazurra, 2016). Therefore, the extension to private sectors and further clarification of giving and receiving gifts in the new Law on AC 2018 and its lower legal documents may attract the domestic and international community (Hang & Tri, 2019; Vasavakul, 2020). Still, the new Law is being on the first phase of its implementation. Hence, the efficient practices of these new legal documents cannot be confirmed yet.

Also, the weak management of human resources and lack of audit and control challenge the practices of AC policies, as we see in the interviews. When the recruitment and promotion do not follow the merit-based but bribery and favoritism, extortion is likely to incur regularly. In combination with a lack of control and sanctions, the situation will be worse. Even the organizations release a COC performed all proper conducts that employees should follow; still, if the authorities' will to control it strictly is inconstant, the result may be zero. And inadequate sanctions weaken further the deterrent expectation of these AC policies (Hors, 2001). Of course, tackling corruption cannot rely on only punishment. The success of this fight needs a combination of sanctions and salary incentives at the

same time, as shown in the study of Hors (2001), Svensson (2005), Ferreira et al. (2007), and Fjeldstad et al. (2020). As Svensson (2005) argues, the wage incentive can be considered to apply if the country has particular conditions such as well-functional enforcement, and bribery is not a functional income. Fjeldstad et al. (2020) believe that tackling corruption only on wage incentives may be too costly and most likely have limited impact if not combined with other factors.

More noticeably, the lack of integration between stakeholders, including OGAs, customs, intermediaries, and traders, places difficulties in implementing AC solutions (Ferreira et al., 2007; OECD, 2017; Fjeldstad et al., 2020). For example, the inefficiency of some trade reforms which target to reduce the trade obstacles and direct contacts may be derived from a lack of consultations between public organizations and businesses. Also, lacking mutual control and sharing information between trade stakeholders may leverage the favorable condition for corrupt acts. Of course, it is not easy to make it a successful process. Due to humanity's very natures, it can be questionable for a player to trust the others will do their commitment. Hence, an open and transparent relationship between and within sectors is crucial for any integrity strategy's success (Ferreira et al., 2007).

Overall, by studying bilateral trade between Vietnam and APEC countries, the research provides evidence for the negative impacts of corruption on international trade and its causes. In addition, it may illustrate some underlying roots of an anomalous effect of favoritism on export flows. Thus, by all concerned, the primary object of the research is achieved.

CHAPTER 6: CONCLUSION

This chapter presents a brief summary of findings regarding the impacts of corruption on international trade and some policy recommendations. It then places the limitation and gives some suggestions for future research.

6.1. Summary

The research attempted to determine the impacts of corruption, especially petty corruption, on international trade by studying the trade inflows and outflows between Vietnam and its APEC partners. The main research question was discovered through two sub-questions: (1) What is the causal relationship between corruption and bilateral trade of Vietnam and APEC partners; and (2) What are the causes.

To answer the first sub-question, a work of econometrics regression analysis was employed. After using the gravity model regression, the research found that international trade was affected negatively and significantly by corruption in importing countries but not influenced seriously by corruption in export countries. In other words, corruption hampered severely and significantly import flows but inconsiderably on export flows. Yet, even though the influence of corruption on exports was not grave, it was surprising that bribery and favoritism were likely to facilitate the export flow of goods in some exceptional cases.

Then, a list of presumptions was presented for a deep understanding of the root of these effects. These assumptions were based on a work of literature review and the researcher's own experience. Next, unstructured interviews with knowledgeable people working in different sectors were conducted to get multiple views about the matter. There were customs officials, traders, managers and staff of logistic firms participating in the research. Their opinions then help to draw a detailed and veritable picture of the trade environment in Vietnam. All these works were done to answer the second sub-question of the study.

The findings disclosed the sources of corruption that mitigate the imports, including the researcher's assumptions and other opinions of interviewees. Significantly, all the researcher's presumptions were unanimously agreed upon by participants. These causes are following: (i) the complicated and overlapping trade

regulations, (ii) the diversification of tariff systems, (iii) the Asian culture of giving-receiving gifts, (iv) the inefficient implementation of some trade reforms, (v) the role of intermediaries, and (vi) the inadequate wage level of public officials.

On the other hand, the findings also unfolded some roots of an anomalous effect of corruption on outflows of goods. These roots are (i) the exploitation of natural resources, (ii) the dominance of SOEs, and (iii) the variance in the benefit and the cost of corruption.

Alongside these findings, some challenges in implementing AC programs were illustrated. They may be the ignorance of corruption in the private sector, the ineffectiveness of ACAs and human resource management, and a lack of integration among trade stakeholders.

In summary, the study's findings support the theory of the negative impact of corruption on international trade. Moreover, some central causes of corruption and its challenges in conducting AC programs were also shown, which might devote to designing better and practical AC policies.

6.2. Policy recommendations

6.2.1. Keep enhancing trade reform initiatives.

The finding revealed that the incompleteness of some trade initiatives was likely to be an acute obstacle for the AC progress. Firstly, the unstable and unlinked connection of IT applications pushed back somewhat of the effort to reduce direct interaction between trade stakeholders. For example, the OGAs' electronic systems for registering and obtaining CO, import-export licenses, or inspection certificates do not link stably to NSW and VNACC/VCIS (e-customs system) that cause an interruption in the e-clearance process. This unexpected interruption requires traders and officials to interact directly, followed by corrupt acts to speed the procedures. Thus, a uniform reform in such IT applications makes the trade procedures run smoothly and uninterruptedly without unnecessary contact between concerned people. A comprehensive master plan for IT development should be discussed and approved by all partners.

Secondly, risk management should be implemented efficiently in OGAs procedures. This harmonious initiative aims at decreasing the ratio of physical

inspection, which generates various forms of red tape in the trade process. Next, both customs and OGAs should spend more effort on harmonizing the tariff classification and HS code following international practices, especially the list of goods under the control of OGAs. This program will eliminate the tax-related rent-seeking opportunities in both customs and OGAs procedures. However, it is important to be reminded that foreign trade differs from domestic trade in size and complication. Thus, the simplification and harmonization in trade regulations and tariff systems of customs and OGAs must be balanced between simplification and control. This balance will guarantee both facilitating international trade and protecting national security and justice.

Along with that, improving the quality and quantity of trade intermediaries needs concerns, especially customs brokers. To do this, the administration needs to apply support and control mechanisms, clear priority policies for customs brokers, and complete the legal regulations for the operation of customs brokers to be recognized by OGAs in carrying out specialized inspections for import and export goods.

6.2.2. Promote AC activities in the import-export enterprises and intermediaries.

Raising awareness of integrity in businesses and actively promoting an internal AC program can help clean the trade environment on the business side. Also, the AC activities in enterprises can eliminate the culture of giving gifts and money, which is the origin of entrenched petty corruption in Asian countries.

Still, the regulations and practices for AC activities in private sectors, SMEs particularly, have been insufficient and weak of control. As mentioned in the discussion, the AC law and its regulations for such matters have been in the first step of development. So then, to make the Law works practically, the first thing that needs to be done is completing the legal regulations on AC in the private sector by the State. Secondly, propaganda for enterprises to acknowledge the necessity of building up positively such AC programs in their business should be operated. These AC programs may include implementing codes of conduct strictly,

transparency in AC policies, building a trusted channel for whistleblowers, regularly doing investigation and internal audit for petty corruption.

6.2.3. Improve human resource management in the public sector.

The incentive and control measures should come along together for effectively fighting against corruption in customs and OGAs. For example, offering a competitive wage based on job position and productivity needs to combine with transparent and merit-based recruitment, promotion, and rotation (Ferreira et al., 2007; WCO, 2014). More importantly, these policies need to apply consistently across the whole organization.

Also, building the ‘esprit de corps’ and internal ‘elite ethos’ culture at all departments of customs and OGAs can be helpful for sustainable policies of preventing corruption (WCO, 2014). In particular, COC should be established and applied efficiently and strictly. Training and monitoring such conducts must be maintained regularly. Most vitally, these programs cannot succeed unless there is a consistent and strong will and determination of leaders in long-term AC activities.

6.2.4. Facilitate the integration among trade stakeholders.

Firstly, transparency needs to be the focus of concern. Activities such as publicizing all the information, propagating legal documents, and promptly guiding businesses and civil servants may be helpful for understanding and applying trade policies uniformly. In addition, information disclosure forms should continue to diversify from traditional forms such as conferences, seminars to modern forms like publicizing on websites, National Single Window, or sending e-documents to enterprises, business associations, and press agencies.

Secondly, some integrated programs should be promoted to leverage the trusting relationship between all trade partners. For instance, surveys of enterprises and public servant satisfaction about unofficial payment or petty corruption, transparency of information, understanding of legal documents should be done regularly and annually by independent agents such as VCCI or private research institutions. Customs, OGAs, and other stakeholders (traders, intermediaries, international organizations) keep enhancing the model of collaboration in making

and implementing trade policies and receiving and handling problems promptly and smoothly.

Finally, strengthening training programs, propaganda, and collective actions between all trade stakeholders to expand mutual supervision mechanisms and whistleblowers' protection can build a healthy commercial culture that eliminates the practice of petty corruption.

6.3. Limitation and suggestion for future research

As mentioned before, there was a limitation in the volume of empirical data, considering that it focuses on Vietnamese bilateral trade flows. It also failed to provide a multiple dimension picture of Vietnamese foreign trade when the interview participants are limited to only customs and logistic firms. As a result, the crucial views of OGAs, who play an essential role in the trade process, could not be collected to testify to the criticism by customs and firms. To put it another way, if all trade partners were studied, the research findings might be more meaningful and valid.

Therefore, it may be more valuable to widen the scope of the study, increase the volume of data and independent variables in the gravity model. Furthermore, as the role of every trade stakeholder is equally essential in the trade process, it might be helpful to do an inclusive study that required the participation of all partners.

Finally, another way is a deeper evaluation between Southeast Asia countries such as Vietnam, Thailand, Indonesia, the Philippines. These countries somehow have similarities and common tasks in corruption situations; thus, the picture of international trade in East Asia and APEC may be more colorful if there is a comparative analysis.

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APPENDICES

Appendix 1: Invitation Letter

INVITATION LETTER

Dear sir/madam!

My name is Hoang Thi Hong Nhung, a graduate student at Meiji University – Tokyo, Japan. I am currently researching the impact of corruption on bilateral trade between Vietnam and her trading partners in Asia-Pacific Economic Cooperation (APEC) as my graduate thesis.

With this letter, I would like to invite you to participate in an interview on the subject. The interview questions seek your comment and perspective to identify the causes of corruption in the foreign trade process in Vietnam.

If you volunteer to be an interviewee, please check the following information of the interview setting:

1. Subject:

The comments on the causality of corruption and the Vietnamese foreign trade and the causes of corruption in Vietnam.

2. Methods:

Due to the COVID-19 situation, the interview will be done in two ways:

- Online interview.
- Sending interview questions and receiving answers via email.

3. Duration for an online interview:

The online interview will take around 45 minutes to 60 minutes.

Your responses are valuable data to help me accomplish this research. The information you provide will be used only for the above study and will not be used for other purposes. Furthermore, the personal information of interviewees will be anonymized in all relevant documents.

Figure 1 below is an overview of the import-export process in Vietnam, which illustrates almost all activities and stakeholders involved in the trade process. Please take it as a reference when you take part in the interview.

If you have any questions, please do not hesitate to contact:

Hoang Thi Hong Nhung

Email: nhunghonght@gmail.com

I look forward to your participation!

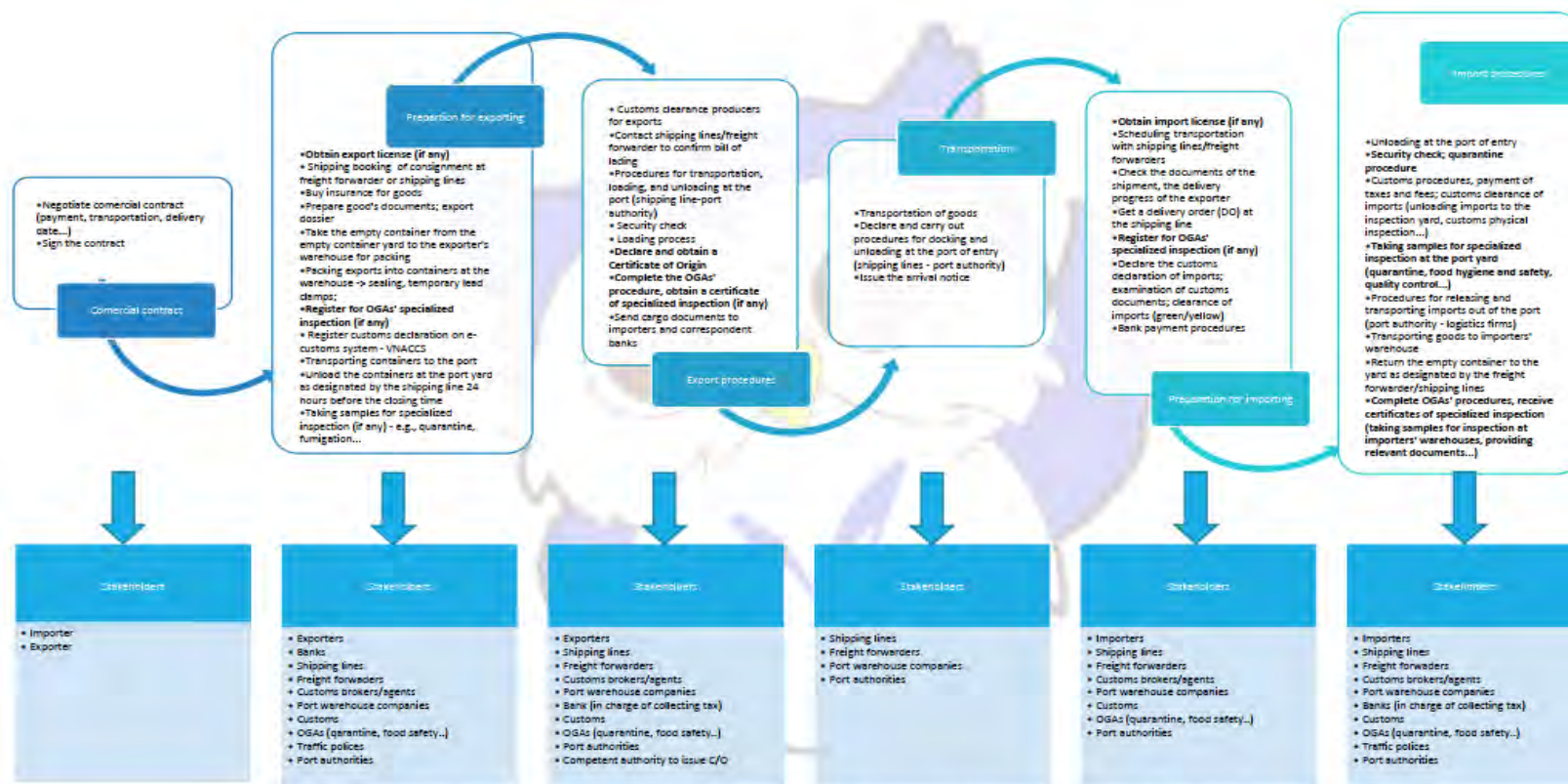


Figure 1: Overview of the process of importing and exporting goods by sea in Vietnam (Source: Researcher)

Source: Made by Author, including materials of some Vietnamese logistic firms (LEC³⁶, VINALOGS³⁷) and Trade Facilitation Implementation Guide³⁸ (TFIG) - United Nations Economic Commission for Europe (UNECE).

³⁶ <https://lecvietnam.com/hoat-dong/tin-tuc/12-buoc-trong-quy-trinh-nhap-khau-hang-hoa-bang-duong-bien-127.html> (In Vietnamese)

³⁷ <https://www.container-transportation.com/quy-trinh-lam-hang-nhap.html> (In Vietnamese)

³⁸ <https://tfig.unece.org/contents/buy-ship-pay-model.htm>

Appendix 2: Gravity regression results

1. Exports:

Descriptive Statistics

| Variable | Obs | Mean | Std. Dev. | Min | Max |
|----------|-----|----------|-----------|----------|----------|
| lnEX | 375 | 20.24435 | 2.628933 | 7.273093 | 25.04854 |
| lnIP | 377 | 20.32045 | 2.338971 | 12.88674 | 24.84074 |
| lnGDPvn | 380 | 25.32256 | .7097663 | 24.1628 | 26.29131 |
| lnGDPj | 380 | 26.73786 | 1.873844 | 21.82172 | 30.69571 |
| lnER | 380 | 7.237424 | 2.588978 | .3814521 | 10.1462 |
| CPIvn | 380 | 28.75 | 3.677375 | 24 | 37 |
| CPIj | 366 | 55.68579 | 24.28658 | 17 | 96 |
| AFTA | 380 | .4815789 | .5003193 | 0 | 1 |
| VFTA | 380 | .0684211 | .2527999 | 0 | 1 |
| lnDij | 380 | 8.310934 | 1.026982 | 6.71402 | 9.867124 |
| BD | 380 | .0526316 | .2235913 | 0 | 1 |

Hausman test

| | ---- Coefficients ---- | | | |
|---------|------------------------|-------------|---------------------|-----------------------------|
| | (b) x1fe | (B) x1re | (b-B) Difference | sqrt(diag(V_b-V_B)) S.E. |
| lnGDPvn | .9995219 | 1.004619 | -.005097 | .1535761 |
| lnGDPj | .4979953 | .5077046 | -.0097094 | .1915197 |
| lnER | -1.189288 | -.1962976 | -.9929899 | .3650023 |
| CPIvn | -.0574472 | -.0346354 | -.0228118 | . |
| CPIj | -.0034145 | .0107202 | -.0141347 | .0050477 |
| AFTA | .0367111 | .0456647 | -.0089536 | . |
| VFTA | .0634639 | .185828 | -.1223642 | . |

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

$$\begin{aligned} \text{chi2}(7) &= (b-B)'[(V_b-V_B)^{-1}](b-B) \\ &= 38.13 \\ \text{Prob}>\text{chi2} &= 0.0000 \\ &(\text{V}_b\text{-V}_B \text{ is not positive definite}) \end{aligned}$$

Test for heteroskedasticity for FE

Modified Wald test for groupwise heteroskedasticity
 in fixed effect regression model

H0: $\sigma(i)^2 = \sigma^2$ for all i

$$\begin{aligned} \text{chi2} (19) &= 4957.22 \\ \text{Prob}>\text{chi2} &= 0.0000 \end{aligned}$$

Test for autocorrelation

Wooldridge test for autocorrelation in panel data

H0: no first-order autocorrelation

F(1, 18) = 18.727
 Prob > F = 0.0004

GLS estimator

Cross-sectional time-series FGLS regression

Coefficients: generalized least squares

Panels: heteroskedastic

Correlation: common AR(1) coefficient for all panels (0.8328)

| | | | | | |
|----------------------------|---|----|------------------|---|----------|
| Estimated covariances | = | 19 | Number of obs | = | 363 |
| Estimated autocorrelations | = | 1 | Number of groups | = | 19 |
| Estimated coefficients | = | 10 | Obs per group: | | |
| | | | min | = | 8 |
| | | | avg | = | 19.10526 |
| | | | max | = | 20 |
| | | | Wald chi2(9) | = | 1499.71 |
| | | | Prob > chi2 | = | 0.0000 |

| lnEX | Coef. | Std. Err. | z | P> z | [95% Conf. Interval] |
|---------|-----------|-----------|--------|-------|----------------------|
| lnGDPvn | .7640082 | .0720278 | 10.61 | 0.000 | .6228363 .9051802 |
| lnGDPj | .7862532 | .0455069 | 17.28 | 0.000 | .6970612 .8754451 |
| lnER | -.0229805 | .0247184 | -0.93 | 0.353 | -.0714276 .0254666 |
| CPIvn | -.0098313 | .0076811 | -1.28 | 0.201 | -.0248859 .0052233 |
| CPIj | .0082447 | .0031656 | 2.60 | 0.009 | .0020402 .0144492 |
| AFTA | .1634521 | .0675039 | 2.42 | 0.015 | .0311468 .2957574 |
| VFTA | .0652609 | .1003181 | 0.65 | 0.515 | -.131359 .2618807 |
| lnDij | -1.248775 | .0756899 | -16.50 | 0.000 | -1.397125 -1.100426 |
| BD | .448589 | .1824546 | 2.46 | 0.014 | .0909845 .8061934 |
| _cons | -9.666734 | 1.61977 | -5.97 | 0.000 | -12.84143 -6.492043 |

2. Imports

Descriptive Statistics

| Variable | Obs | Mean | Std. Dev. | Min | Max |
|----------|-----|----------|-----------|----------|----------|
| lnIP | 377 | 20.32045 | 2.338971 | 12.88674 | 24.84074 |
| lnGDPvn | 380 | 25.32256 | .7097663 | 24.1628 | 26.29131 |
| lnGDPj | 380 | 26.73786 | 1.873844 | 21.82172 | 30.69571 |
| lnER | 380 | 7.237424 | 2.588978 | .3814521 | 10.1462 |
| CPIvn | 380 | 28.75 | 3.677375 | 24 | 37 |
| CPIj | 366 | 55.68579 | 24.28658 | 17 | 96 |
| AFTA | 380 | .4815789 | .5003193 | 0 | 1 |
| VFTA | 380 | .0684211 | .2527999 | 0 | 1 |
| lnDij | 380 | 8.310934 | 1.026982 | 6.71402 | 9.867124 |
| BD | 380 | .0526316 | .2235913 | 0 | 1 |

Hausman test

| | ---- Coefficients ---- | | | |
|---------|------------------------|-----------|------------|---------------------|
| | (b) | (B) | (b-B) | sqrt(diag(V_b-V_B)) |
| | n1fe | n1re | Difference | S.E. |
| lnGDPvn | 1.198594 | .79295 | .4056438 | .1311574 |
| lnGDPj | .3351354 | .8468502 | -.5117148 | .1677871 |
| lnER | -.4051963 | -.0391892 | -.3660071 | .3132167 |
| CPIvn | .0126339 | .0340589 | -.021425 | . |
| CPIj | -.0136347 | .0015016 | -.0151363 | .0049024 |
| AFTA | -.4302221 | -.3445387 | -.0856834 | . |
| VFTA | .431998 | .574246 | -.1422481 | . |

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

$$\begin{aligned} \text{chi2}(7) &= (b-B)'[(V_b-V_B)^{-1}](b-B) \\ &= 70.76 \\ \text{Prob}>\text{chi2} &= 0.0000 \\ &(\text{V}_b\text{-V}_B \text{ is not positive definite}) \end{aligned}$$

Test for heteroskedasticity for FE

Modified Wald test for groupwise heteroskedasticity
 in fixed effect regression model

H0: $\sigma(i)^2 = \sigma^2$ for all i

$$\begin{aligned} \text{chi2}(19) &= 1769.73 \\ \text{Prob}>\text{chi2} &= 0.0000 \end{aligned}$$

Test for autocorrelation

Wooldridge test for autocorrelation in panel data
 H0: no first-order autocorrelation

$$\begin{aligned} F(1, 18) &= 77.848 \\ \text{Prob} > F &= 0.0000 \end{aligned}$$

GLS estimator

Cross-sectional time-series FGLS regression

Coefficients: generalized least squares

Panels: heteroskedastic

Correlation: common AR(1) coefficient for all panels (0.8883)

| | | | | | |
|----------------------------|---|----|------------------|---|----------|
| Estimated covariances | = | 19 | Number of obs | = | 364 |
| Estimated autocorrelations | = | 1 | Number of groups | = | 19 |
| Estimated coefficients | = | 10 | Obs per group: | | |
| | | | min | = | 9 |
| | | | avg | = | 19.15789 |
| | | | max | = | 20 |
| | | | Wald chi2(9) | = | 1081.42 |
| | | | Prob > chi2 | = | 0.0000 |

| lnIP | Coef. | Std. Err. | z | P> z | [95% Conf. Interval] |
|---------|-----------|-----------|--------|-------|----------------------|
| lnGDPvn | .8223752 | .0757786 | 10.85 | 0.000 | .6738518 .9708987 |
| lnGDPj | .8599982 | .0490769 | 17.52 | 0.000 | .7638093 .9561872 |
| lnER | -.0015264 | .0307335 | -0.05 | 0.960 | -.061763 .0587102 |
| CPIvn | .0202994 | .0074641 | 2.72 | 0.007 | .00567 .0349289 |
| CPIj | .0014321 | .0029321 | 0.49 | 0.625 | -.0043146 .0071789 |
| AFTA | .0711514 | .0666251 | 1.07 | 0.286 | -.0594315 .2017342 |
| VFTA | .0990634 | .0865331 | 1.14 | 0.252 | -.0705382 .2686651 |
| lnDij | -.9243799 | .0795533 | -11.62 | 0.000 | -1.080301 -.7684584 |
| BD | -.2611898 | .2991179 | -0.87 | 0.383 | -.84745 .3250705 |
| _cons | -16.37849 | 1.810153 | -9.05 | 0.000 | -19.92632 -12.83065 |

Appendix 3: List of Free trade Agreements of Vietnam

(up-to-date of March 2021 - Source: <https://trungtamwto.vn/fta>)

| No. | FTA | Current situation | Partners |
|---|-----------------------------|----------------------------|---|
| FTAs have been into force | | | |
| 1 | AFTA | Effective since 1993 | ASEAN |
| 2 | ACFTA | Effective since 2003 | ASEAN, China |
| 3 | AKFTA | Effective since 6/2007 | ASEAN, Korea. Rep |
| 4 | AJCEP | Effective since 01/12/2008 | ASEAN, Japan |
| 5 | VJEPA | Effective since 01/10/2009 | Vietnam, Japan |
| 6 | AIFTA | Effective since 01/01/2010 | ASEAN, India |
| 7 | AANZFTA | Effective since 01/01/2010 | ASEAN, Australia, New Zealand |
| 8 | VCFTA | Effective since 01/01/2014 | Vietnam, Chile |
| 9 | VKFTA | Effective since 20/12/2015 | Vietnam, Korea. Rep |
| 10 | VN – EAEU FTA | Effective since 5/10/2016 | Vietnam, Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan |
| 11 | CPTPP (TPP11) | Effective since 14/1/2019 | Canada, Mexico, Peru, Chile, New Zealand, Australia, Japan, Singapore, Brunei, Malaysia and Vietnam |
| 12 | AHKFTA | Effective since 11/6/2019 | Hong Kong (China) and 5 ASEAN members (Laos, Myanmar, Singapore, Thailand, Vietnam) |
| 13 | EVFTA | Effective since 01/08/2019 | Vietnam, EU (27 members) |
| 14 | UKVFTA | Effective since 31/12/2020 | Vietnam, United Kingdom |
| FTA signed, has not entered into force | | | |
| 15 | RCEP (ASEAN+5) | Signed at 15/11/2020 | ASEAN, China, Korean, Japan, India, Australia and New Zealand |
| FTA under negotiations | | | |
| 16 | Vietnam – EFTA FTA | Launched from 5/2012 | Vietnam, EFTA (including Norway, Switzerland, Iceland, and Liechtenstein) |
| 17 | Vietnam – Israel FTA | Launched from 12/2015 | Vietnam, Israel |

Appendix 4: Vietnamese legal documents of AC 2017-2019

(Source: Toward Transparency)

| LEGAL DOCUMENTS | CONTENT | ISSUED AGENCIES | ISSUED DATE | EFFECTIVE DATE |
|-----------------------------|--|----------------------|-------------------|------------------|
| Law 36/2018/QH14 | Law on Anti-Corruption | National Assembly | November 20, 2018 | July 1, 2019 |
| Decree 59/2019/ND-CP | Detailed regulations on a number of articles and measures for implementation of the Law on anti-corruption | Government | July 1, 2019 | August 15, 2019 |
| Directive 10/CT-TTG | Enhancement of effective prevention and settlement for harassment and troublesome actions to citizens and enterprises when processing work | Prime Minister | April 22, 2019 | April 22, 2019 |
| Decision 101/QĐ-TTg | Promulgating implementation plan of the Anti-Corruption Law 2018 | Prime Minister | January 21, 2019 | January 21, 2019 |
| Decision 861/QĐ-TTg | Promulgating the Project "Awareness raising and education of anti-corruption legislations in the period 2019-2021" | Prime Minister | July 11, 2019 | July 11, 2019 |
| Directive 724/CD-TTg | Strengthening measures to prevent negative and corruption behaviours in public-service activities | Prime Minister | June 17, 2019 | June 17, 2019 |
| Directive 27/CT-TW | Strengthening the Party's leadership in the protection of whistle-blowers and individuals who participate in the fight against corruption, wastefulness and wrongdoings. | the Political Bureau | January 10, 2019 | January 10, 2019 |
| Law 25/2018/QH14 | Law on Denunciation | National Assembly | June 12, 2018 | January 1, 2019 |
| Decree 31/2019/ND-CP | Detailed regulations on a number of articles for implementation of the Law on Denunciation | Government | April 10, 2019 | May 28, 2019 |

Appendix 5: Top 10 of main export products of Vietnam 2000-2018

(Data source: Observatory of Economic Complexity - OEC)

| | 2019 | | 2018 | | 2017 | | 2016 | | 2015 | |
|----|--------------------------|------|------------------------|------|-------------------------------|------|------------------------|------|------------------------|------|
| | <i>Products</i> | % | <i>Products</i> | % | <i>Products</i> | % | <i>Products</i> | % | <i>Products</i> | % |
| 1 | Broadcasting Equipment | 15.1 | Broadcasting Equipment | 14.8 | Broadcasting Equipment | 14.4 | Broadcasting Equipment | 15.3 | Broadcasting Equipment | 15.3 |
| 2 | Telephones | 6.5 | Telephones | 7.19 | Telephones | 7.59 | Telephones | 4.96 | Computers | 4.19 |
| 3 | Integrated Circuits | 5.53 | Integrated Circuits | 4.06 | Integrated Circuits | 5.17 | Integrated Circuits | 4.03 | Telephones | 3.71 |
| 4 | Textile Footwear | 3.77 | Textile Footwear | 3.74 | Textile Footwear | 3.66 | Textile Footwear | 3.72 | Integrated Circuits | 3.67 |
| 5 | Leather Footwear | 2.29 | Leather Footwear | 2.25 | Computers | 3.17 | Computers | 3.27 | Leather Footwear | 3.18 |
| 6 | Other furniture | 2.08 | Other furniture | 1.89 | Leather Footwear | 2.24 | Leather Footwear | 2.69 | Textile Footwear | 3.17 |
| 7 | Computers | 1.55 | Insulated wire | 1.7 | Other furniture | 1.91 | Other furniture | 2.19 | Other furniture | 2.29 |
| 8 | Knit sweaters | 1.52 | Office machine parts | 1.7 | Insulated wire | 1.71 | Insulated wire | 1.64 | Crude Petroleum | 2.19 |
| 9 | Broadcasting accessories | 1.48 | Computers | 1.57 | Coconut, Brazil nuts, cashews | 1.48 | Coffee | 1.63 | Non-knit women suit | 1.72 |
| 10 | Non-knit women suit | 1.24 | Knit sweaters | 1.45 | Knit sweaters | 1.36 | Rubber footwear | 1.59 | Rubber footwear | 1.7 |
| | 2014 | | 2013 | | 2012 | | 2011 | | 2010 | |
| | <i>Products</i> | % | <i>Products</i> | % | <i>Products</i> | % | <i>Products</i> | % | <i>Products</i> | % |
| 1 | Broadcasting Equipment | 13.8 | Broadcasting Equipment | 14.3 | Broadcasting Equipment | 10.2 | Crude Petroleum | 7.03 | Crude Petroleum | 6.68 |
| 2 | Computers | 4.82 | Crude Petroleum | 5.12 | Computers | 3.29 | Broadcasting Equipment | 6.24 | Rice | 4.28 |

| | | | | | | | | | | |
|----|---------------------|----------|---------------------|----------|---------------------|----------|------------------|----------|------------------------|----------|
| 3 | Crude Petroleum | 4.47 | Computers | 5.01 | Leather Footwear | 2.92 | Leather Footwear | 3.5 | Leather Footwear | 4.1 |
| 4 | Leather Footwear | 3.27 | Leather Footwear | 3.12 | Rice | 2.86 | Rice | 3.32 | Other furniture | 3.37 |
| 5 | Textile Footwear | 2.64 | Textile Footwear | 2.3 | Coffee | 2.64 | Other furniture | 2.64 | Broadcasting Equipment | 2.76 |
| 6 | Other furniture | 2.26 | Other furniture | 2.21 | Other furniture | 2.52 | Coffee | 2.5 | Industrial Printers | 2.52 |
| 7 | Telephones | 2.06 | Rice | 1.98 | Integrated Circuits | 2.34 | Fish fillets | 2.24 | Fish fillets | 2.35 |
| 8 | Coffee | 1.93 | Telephones | 1.94 | Telephones | 2.21 | Rubber footwear | 2.04 | Coffee | 2.34 |
| 9 | Integrated Circuits | 1.8 | Coffee | 1.85 | Rubber | 2.02 | Textile footwear | 2.02 | Textile footwear | 2.18 |
| 10 | Rice | 1.72 | Integrated Circuits | 1.78 | Textile Footwear | 2.01 | Rubber | 1.91 | Rubber footwear | 2.15 |
| | 2009 | | 2008 | | 2007 | | 2006 | | 2005 | |
| | <i>Products</i> | <i>%</i> | <i>Products</i> | <i>%</i> | <i>Products</i> | <i>%</i> | <i>Products</i> | <i>%</i> | <i>Products</i> | <i>%</i> |
| 1 | Crude Petroleum | 9.85 | Crude Petroleum | 15.1 | Crude Petroleum | 15.5 | Crude Petroleum | 18.2 | Crude Petroleum | 20.4 |
| 2 | Leather Footwear | 4.38 | Rice | 4.34 | Leather Footwear | 4.97 | Leather Footwear | 5.05 | Leather Footwear | 5.29 |
| 3 | Rice | 4.34 | Leather Footwear | 4.13 | Other furniture | 3.77 | Other furniture | 3.62 | Rice | 4.14 |
| 4 | Other furniture | 3.32 | Other furniture | 3.34 | Coffee | 3.48 | Rice | 3.3 | Crustaceans | 3.8 |
| 5 | Metal-clad products | 2.67 | Coffee | 3.07 | Rice | 2.89 | Crustaceans | 3.18 | Other furniture | 3.46 |
| 6 | Coffee | 2.66 | Fish fillets | 2.68 | Non-knit women suit | 2.62 | Textile footwear | 3.08 | Textile footwear | 3.37 |
| 7 | Fish fillets | 2.6 | Rubber footwear | 2.33 | Crustaceans | 2.59 | Coffee | 2.81 | Non-knit women suit | 2.38 |

| | | | | | | | | | | |
|----|---------------------|----------|---------------------|----------|-------------------|----------|----------------------|----------|----------------------|----------|
| 8 | Industrial printers | 2.29 | Coal briquettes | 2.29 | Rubber footwear | 2.41 | Non-knit women suit | 2.42 | Coffee | 2.15 |
| 9 | Coal Briquettes | 2.23 | Non-knit women suit | 2.26 | Fish fillets | 2.36 | Coal briquettes | 2.28 | Coal briquettes | 2.07 |
| 10 | Non-knit women suit | 2.27 | Industrial printers | 2.17 | Textile footwear | 2.12 | Fish fillets | 2.23 | Rubber footwear | 2.0 |
| | 2004 | | 2003 | | 2002 | | 2001 | | 2000 | |
| | <i>Products</i> | <i>%</i> | <i>Products</i> | <i>%</i> | <i>Products</i> | <i>%</i> | <i>Products</i> | <i>%</i> | <i>Products</i> | <i>%</i> |
| 1 | Crude Petroleum | 18.6 | Crude Petroleum | 17.1 | Crude Petroleum | 17 | Crude Petroleum | 18.6 | Crude Petroleum | 20.2 |
| 2 | Leather Footwear | 5.86 | Leather Footwear | 5.92 | Leather Footwear | 5.45 | Crustaceans | 6.03 | Leather Footwear | 4.99 |
| 3 | Crustaceans | 4.36 | Crustaceans | 5.66 | Crustaceans | 5.2 | Leather Footwear | 4.66 | Crustaceans | 4.83 |
| 4 | Rice | 3.61 | Rice | 3.34 | Rice | 4.25 | Textile footwear | 4.23 | Rice | 4.38 |
| 5 | Textile footwear | 3.46 | Textile footwear | 3.09 | Textile footwear | 4.13 | Rubber footwear | 4.17 | Textile footwear | 4.2 |
| 6 | Other furniture | 2.96 | Rubber footwear | 2.91 | Rubber footwear | 3.01 | Rice | 4.02 | Rubber footwear | 3.13 |
| 7 | Rubber footwear | 2.37 | Other furniture | 2.44 | Non-knit men suit | 2.36 | Coffee | 2.5 | Coffee | 3.12 |
| 8 | Coffee | 2.27 | Non-knit men suit | 2.39 | Other furniture | 2.03 | Molluscs | 2.21 | Molluscs | 2.47 |
| 9 | Non-knit women suit | 2.18 | Coffee | 2.38 | Coffee | 2.02 | Office machine parts | 2.04 | Office machine parts | 2.21 |
| 10 | Non-knit men suit | 1.93 | Non-knit women suit | 2.33 | Molluscs | 1.74 | Non-knit men suit | 1.89 | Non-knit men suit | 1.93 |

Appendix 6: Main imports - exports between Vietnam and APEC in 2020

(up to date of November 2020 - Data source: GDVC)

| No. | Exports | Value (US\$) | No. | Imports | Value (US\$) |
|-----|--|----------------|-----|--|----------------|
| 1 | Computers, electrical products, spare-parts and components thereof | 30,975,341,983 | 1 | Computers, electrical products, spare-parts and components thereof | 52,691,175,367 |
| 2 | Telephones, mobile phones and parts thereof | 29,934,780,266 | 2 | Machine, equipment, tools and instruments | 29,162,958,233 |
| 3 | Textiles and garments | 22,041,509,541 | 3 | Telephones, mobile phones and parts thereof | 14,032,900,224 |
| 4 | Machine, equipment, tools and instruments | 19,071,395,523 | 4 | Other products | 12,235,821,549 |
| 5 | Other products | 11,448,116,014 | 5 | Fabrics | 10,287,846,133 |
| 6 | Foot-wears | 10,197,621,401 | 6 | Plastic products | 6,237,853,293 |
| 7 | Wood and wooden products | 9,931,849,939 | 7 | Iron and steel | 6,137,290,308 |
| 8 | Fishery products | 5,922,723,060 | 8 | Plastics | 5,913,378,911 |
| 9 | Other means of transportation, parts and accessories thereof | 5,903,174,010 | 9 | Other base metals | 4,594,645,393 |
| 10 | Iron and steel | 3,135,236,650 | 10 | Chemical products | 4,346,903,919 |
| 11 | Yarn | 2,684,795,091 | 11 | Textile, leather and foot-wear materials and auxiliaries | 4,142,784,431 |
| 12 | Fruits and vegetables | 2,592,056,523 | 12 | Chemicals | 3,925,573,455 |
| 13 | Precious stones, precious metal and articles thereof | 2,407,898,976 | 13 | Iron and steel products | 3,749,333,093 |
| 14 | Plastic products | 2,380,197,354 | 14 | Auto parts and accessories | 3,015,123,982 |
| 15 | Still image, video cameras and parts thereof | 2,244,751,368 | 15 | Coals | 2,910,133,233 |

| No. | Exports | Value (US\$) | No. | Imports | Value (US\$) |
|-----|---|---------------|-----|--|---------------|
| 16 | Toys and sports requisites; parts and accessories thereof | 2,062,805,888 | 16 | Petroleum products | 2,902,855,321 |
| 17 | Handbags, purses, suit-cases, headgear and umbrellas | 1,924,235,322 | 17 | Still image, video cameras and parts thereof | 1,890,275,619 |
| 18 | Insulated wires and cables | 1,875,965,672 | 18 | Auto vehicles | 1,816,111,513 |
| 19 | Rice | 1,765,557,362 | 19 | Electric consumer products and parts thereof | 1,760,268,634 |
| 20 | Cashew nut | 1,750,973,656 | 20 | Insulated wires and cables | 1,675,501,405 |
| 21 | Rubber | 1,730,652,488 | 21 | Yarn | 1,574,264,630 |
| 22 | Iron and steel products | 1,663,851,223 | 22 | Wood and wooden products | 1,441,126,266 |
| 23 | Other base metals and its products | 1,633,115,026 | 23 | Ferrous waste and scrap | 1,351,714,757 |
| 24 | Crude oil | 1,403,900,028 | 24 | Papers | 1,348,006,610 |
| 25 | Chemicals | 1,123,072,946 | 25 | Cotton | 1,321,573,310 |
| 26 | Paper and paper products | 1,070,057,131 | 26 | Glass and glassware | 1,237,451,634 |
| 27 | Clinker and cement | 1,036,506,447 | 27 | Other base metal products | 1,223,825,004 |
| 28 | Coffee | 1,014,423,857 | 28 | Animal fodders and animal fodder materials | 1,081,838,704 |
| 29 | Chemical products | 913,561,382 | 29 | Fruits and vegetables | 897,199,561 |
| 30 | Textile, leather and foot-wear materials and auxiliaries | 896,987,990 | 30 | Fishery products | 873,787,381 |
| 31 | Manioc and manioc products | 852,042,218 | 31 | Ores and other mineral products | 860,274,874 |
| 32 | Plastics | 830,313,501 | 32 | Animal, vegetable fats and oils | 752,207,759 |
| 33 | Glass and glassware | 745,537,166 | 33 | Other petroleum products | 721,104,305 |
| 34 | Rubber products | 574,568,696 | 34 | Milk and milk products | 719,351,626 |
| 35 | Animal fodders and animal fodder materials | 474,913,880 | 35 | Other edible food preparations | 717,403,324 |

| No. | Exports | Value (US\$) | No. | Imports | Value (US\$) |
|-----|--|--------------|-----|--|--------------|
| 36 | Pastrycooks, sweets and cereal products | 395,202,964 | 36 | Rubber | 704,085,925 |
| 37 | Ceramic products | 368,171,742 | 37 | Rubber products | 701,195,530 |
| 38 | Petroleum products | 342,899,046 | 38 | Pharmaceutical products | 697,485,360 |
| 39 | Bamboo and rattan products | 328,299,225 | 39 | Essential oils and resinoids; perfumery, cosmetic or toilet preparations | 693,722,485 |
| 40 | Tyre cord fabrics and other fabrics for technical uses | 254,013,582 | 40 | Paper products | 653,866,737 |
| 41 | Pepper | 210,177,755 | 41 | Fertilizers | 599,616,443 |
| 42 | Ores and other mineral products | 132,741,472 | 42 | Other means of transportation, parts and accessories thereof | 534,868,315 |
| 43 | Furnitures of materials excluding wood | 80,946,833 | 43 | Wheats | 521,481,993 |
| 44 | Tea | 72,821,092 | 44 | Insecticides, rodenticides and materials | 459,882,005 |
| 45 | Coals | 71,642,456 | 45 | Soya beans | 385,764,744 |
| 46 | Fertilizers | 36,145,529 | 46 | Liquefied petroleum gases (LPG) | 308,990,714 |
| | | | 47 | Precious stones, precious metal and articles thereof | 302,829,950 |
| | | | 48 | Pastrycooks, sweets and cereal products | 262,827,820 |
| | | | 49 | Pharmaceutical materials | 256,826,394 |
| | | | 50 | Tobacco materials | 126,489,528 |
| | | | 51 | Crude oil | 85,270,372 |
| | | | 52 | Cashew nut | 69,688,992 |
| | | | 53 | Maize (corn) | 11,262,618 |

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Rohingyas in Refugee Camps in Bangladesh

Governance Program,
The Graduate School of Governance Studies

Name of Supervisor: Professor YOSHIKI KOBAYASHI

Name of Author: NABIE MOHAMMAD MAHBUB UN

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TITLE OF THE THESIS

Analyzing the Characteristics of Radicalization Among Rohingyas in Refugee Camps
in Bangladesh

Graduate School of Governance Studies

Meiji University, Tokyo, Japan

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ABSTRACT

Purpose: This study aims to determine the intensity of radicalization among the refugee community in the Rohingya refugee camp in Bangladesh. This study is crucial because radicalization may turn into terrorism. Based on provisional research, the following research questions are set -What type of parameters is effective in understanding the extent of radicalization in Rohingya community in refugee camps in Bangladesh? What is the driving force behind radicalization? Which age group is more susceptible to radicalization?

Methodology: The study analyzes the characteristics of radicalization among the Rohingya refugees using the theoretical framework –Relative Deprivation Theory. All three components of the theory (comparison-deprivation-grievance) are connected with Rohingya radicalization issue. Qualitative data is resourced by interviews from the Rohingya refugees. For the quantitative analysis, data has been collected by providing questionnaires to the police personnel working at refugee camps.

Findings: The study finds that extrinsic or push factors by the external environment are effective in understanding the extent of radicalization. Deprivation is the main driving force behind radicalization. And it is found that young men are more susceptible to radicalization. Most importantly, so far in refugee camps, there is no significant evidence of bulk radicalization.

Limitations: The main shortcomings are limited sample size, respondents' trust, language barrier, time limit, and paucity of relevant academic studies.

Originality: Although refugee radicalization in other countries has been researched, and in Bangladesh, practitioners have been dealing with this issue, this is a first kind of academic research in refugee conditions in Bangladesh on national security perspective, specifically on radicalization threat. Assessing the threat beforehand is crucial because radicalization is such a process, is very challenging to control if it starts once.

TITLE OF THE THESIS

Analyzing the Characteristics of Radicalization Among Rohingyas in Refugee Camps
in Bangladesh



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CHAPTER 1: INTRODUCTION

Bangladesh is facing a new type of threat from the refugees hosted at its southern border. For the last two decades, the country has been experiencing religious terrorism similar to other parts of the world (Rapoport, 2011) and although Bangladesh has successfully combated the situation so far, there is always a probability of recurrence. Recently, after August 2017, a massive influx of Rohingya¹ refugees started from the neighboring country Myanmar. This flow of refugees has raised the spectre of religious terrorism in Bangladesh again. The Rohingya crisis may destabilize the eastern part of the country, possibly creating a magnet for terrorist groups beyond the government's reach - much like today's Syria, Iraq, and Afghanistan. The crisis makes it a burning issue in the present-day scenario.

The focus of this study is to determine the intensity of radicalization among the refugee community in the Rohingya refugee camps in Bangladesh. During the last two decades, Bangladesh has been combating terrorism. Refugee radicalization must be prevented before it spreads out. That is why the following research is extremely necessary, and it needs to be executed well.

1.1 Background

Perhaps, refugee issues are byproducts of the geo-political interest. For instance, Somali refugees in Kenya and Syrian refugees in European countries are good examples. Not surprisingly, the host countries have to face a multitude of challenges caused by them such as the allocation of resources. A more extended period of refugee settlements generates various problems, for example, crime, pollution, xenophobia, and violence. One of the outcomes of these problems is terrorism or extremism. In these asymmetric cases, individuals become radicalized with certain beliefs. With these in the background, this research has investigated the extent of radicalization of Rohingya refugees hosted in Bangladesh. As seen in Figure 1.1, Bangladesh shares a short but porous border with Myanmar. This border area has been used by many groups. One of these groups is radical Islamic militants. When Islamic radicalism

¹ Rohingya: A mostly Muslim ethnic minority group living in the northern Rakhine state in Myanmar. (UNHCR, n.d.).

increased in Bangladesh two decades ago, the government adopted measures to combat the issue with utmost effort. An Anti-Terrorism Act was passed in 2009 and further amended in 2013 as a part of the effort (Anti-Terrorism Act, 2013). However, the risk of terrorism has evolved and has reached a high level at Bangladesh-Myanmar border due to the influx of Rohingyas from Myanmar. Because of humanitarian grounds, Bangladesh has sheltered them, but some of them are involved in cognizable crimes such as human trafficking (Kamruzzaman & Kabir, 2019; Molla, 2019). Among the issues that occur in Rohingya communities, a probability of terrorism creates high tension. In addition, in refugee camps, small-scale violence is frequently occurring. Unfortunately, the frequency of these conflicts is enough to threaten the national security of Bangladesh, and large-scale violence may occur if this issue is not appropriately addressed.

Figure1.1: Location of Rakhine, Myanmar, and Location of Rohingya Refugees in Cox's Bazar, Bangladesh



Source: Ministry of Health and Welfare, MIS, 2019.

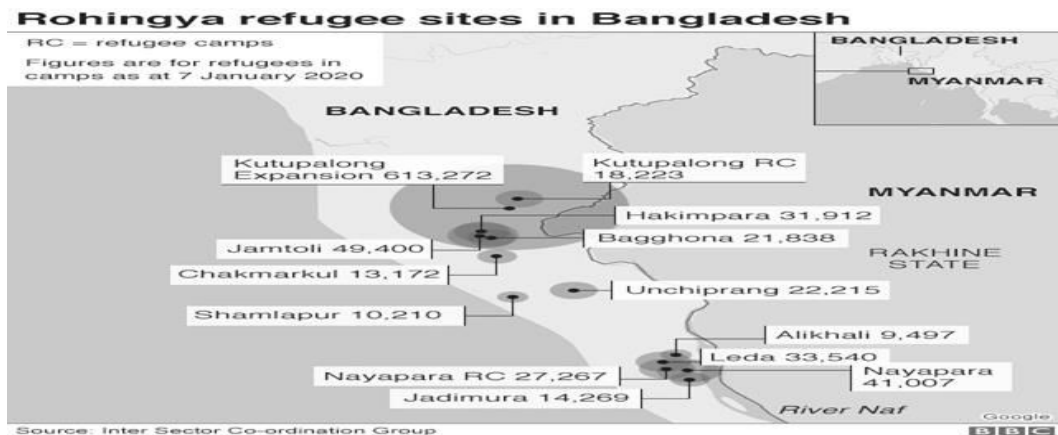
The root of the refugee influx problem starts with what took place in Rakhine state in August 2017. An alleged attack by ARSA (Arakan Rohingya Salvation Army), a militant group, on some outposts of the Myanmar army sparked the violence (Reuters, 2019). As a countermeasure, the Myanmar army launched an operation in Rakhine state on Rohingyas, among whom ARSA was alleged to be hiding. Houses were torched, people were killed, tortured and women were being raped (Bhattacharjee, 2017). Rohingyas were ousted from their land (Human Rights Watch, 2017; Haar et al., 2019). To escape from the atrocity, these

people crossed the country and fled to Bangladesh (BBC News, 2020). United Nations termed this as ‘*ethnic cleansing*’ and probably genocide (Bruce, 2017). United Nations High Commissioner for Refugees Filippo Grandi visited those Rohingyas and pointed out,

‘The terrain is very fertile for [terrorism]. So, it is also a question of addressing this issue, not only for the Rohingya, not only for northern Rakhine, but for the entire region because if the situation is not resolved, the risk of the spread of terrorism and violence in the whole region ... and this is a particularly fertile region ... is very, very high (Schlein cited in ‘UNHCR: Risk of Terrorism’, 2017).

This Rohingya refugee influx is also a social issue that raises social unrest and geo-political risks for Asia as a whole. Regarding the refugee camps in Bangladesh, almost every **factor** leading to radicalization identified by radicalization experts exists. Compared to Syrian refugee influx to Europe or Somalis to Kenya, Rohingyas are higher in number (Figure 2.1). Additionally, it took Rohingyas only two months to cross the border, which is very rapid (Sida & Schenkenberg, 2019). The combination of limited health facilities, poor hygienic conditions, and overcrowded sites, as seen in Figure 1.2, is a recipe for disaster (UNHCR, n.d.). Shortage of food, water, and other supplies can anytime turn people desperate, leading to violence. This violence may, in turn, lead to terrorism (Diamond, 2009; Borum, 2011). Zeid Ra'ad Al Hussein, the United Nations High Commissioner for Human Rights, said this refugee crisis as ‘*a textbook example of ethnic cleansing*’ (Meixler, 2018).

Figure1.2: Population of Refugee Camps in Bangladesh



Source: Inter Sector Coordination Group data presented by BBC News, 2020.

There is evidence that crime is already taking place in refugee camps. Criminal acts include murder, and smuggling illegal objects, such as arms and drugs. Especially, the rate of narcotics seizure cases has more than doubled between 2017 and 2021 (Table 1.1). The situation inside Rohingya camps has deteriorated as homicide-related crime has been increasing rapidly (The Daily Star, 2019). Also, the number of arms-related cases has surged; this situation might be related to the fact that arms can be carried through permeable fences. Besides, the rate of narcotics cases has more than doubled. Schmid (2013) mentions various factors of radicalization in different situations, among which arms, narcotics, and murder are very significant ones.²

Table 1.1: Cases Filed Involving Rohingyas at Refugee Camp Area Police Stations, Cox’s Bazar, Bangladesh

| Cases Involving Rohingyas | | | | | | |
|---------------------------|-------------|----------------------|-------------|----------------------|-----------------------|----------------------|
| Case Type | 2017 | | 2018 | | 2019 (January-August) | |
| | No of Cases | No of People Accused | No of Cases | No of People Accused | No of Cases | No of People Accused |
| Arms | 12 | 23 | 13 | 21 | 11 | 38 |
| Murder | 08 | 22 | 15 | 33 | 20 | 81 |
| Narcotics | 22 | 40 | 95 | 159 | 91 | 169 |

Source: The Daily Star, 2019.

1.2 Factors of Radicalization

Many scholars conceptualize radicalization as a process characterized by an increased commitment to and use of violent means and strategies in political conflicts (Schmid, 2013; Borum, 2011; Bott et al., 2009). Radicalization entails changing an individual’s perceptions towards polarizing and absolute definitions of a given situation, and articulating increasingly ‘*radical*’ aims and objectives. This may evolve from enmity towards certain social groups, institutions, and structures. It may also lead to the increasing use of violent means. In other words, radicalization means a change in beliefs, feelings, and behaviors that increasingly justify violence (Schmid, 2013). Of course, there are other

² Dr. Alex P. Schmid, Director of the Terrorism Research Initiative and a research fellow at the International Centre for Counter-Terrorism (ICCT)

researchers defining radicalization from other points of view.³ Nevertheless, it is possible to claim that a radicalized person perceives that it is justifiable to adopt terror as a means of achieving the desired target as radicalization is a process through which an individual comes to accept terrorist violence as a possible, perhaps even legitimate, course of action (Allan et al., 2015). Radicalization may also produce different types of social and political problems, where Crossett and Spitaletta (2010) consider terrorism to be a subset of this.

As terrorism is considered a subset of radicalization, it needs to be defined as well. Actually, there is no 'one size fits all' definition of terrorism because the ideologies and objectives are very versatile. There are many types of terrorism such as ethno-nationalist, right-wing, religiously inspired, separatist, left-wing and anarchist terrorism (Bakker, 2015, p. 33). Martin (2018) mentions some other varieties, for instance, dissident, international, and state terrorism (p. 10). Bakker (2015) defines terrorism as "*A practice or an instrument for spreading fear by the use of physical violence in order to impact on various audiences both in politics and in society*" (p. 44). Another definition of terrorism is "*The deliberate creation and exploitation of fear through violence or the threat of violence in the pursuit of change*" (Martin, 2018, p. 7). United Nations also has given its definition of terrorism in resolution 1566 (2004)⁴. Terrorism could be explained as a planned action by an individual or group by creating intimidation among mass people to achieve political gains.

The link between radicalization and terrorism has been explained by Sandler (2018), "*As long as there are grievances, there will be conflict and thus terrorism*" (p. 133). Lintner (2003) stated that Rohingyas have brutally been tortured, and they have grievances in their

³Bott et al. (2009) assumed the U.S. Department of Homeland Security's definition of radicalization as embracing extremist beliefs that support violence as a method to effect societal change. Radicalization is a process by which people develop extremist ideologies and beliefs (as quoted in Borum, 2011). RAN, the Radicalization Awareness Network created by the European Commission in 2010, defines it as "*the process through which an individual comes to adopt extremist political, social, or religious ideas and aspirations which then serve to reject diversity, tolerance and freedom of choice and legitimize breaking the rule of law and using violence towards property and people.*" (EUCPN, 2017).

Again (Romaniuk) 2015 stated that 'radicalization' can be understood as the process by which individuals adopt violent extremist ideologies that *may* lead them to commit terrorist acts, or which are likely to render them more vulnerable to recruitment by terrorist organizations (p. 7-8).

⁴ **UN Security Council Resolution 1566 (2004)** defines terrorism, "criminal acts, including against civilians, committed with the intent to cause death or serious bodily injury, or taking of hostages, with the purpose to provoke a state of terror in the general public or in a group of persons or particular persons, intimidate a population or compel a government or an international organization to do or to abstain from doing any act."

mind. There might be few refugees among them who can be radicalized and can commit terrorist activities. Lintner (2003) also notes that the radicalization of Rohingyas, which started in the late 1970s, finds fertile ground in a permanent refugee population.

There might be some people who might have an intrinsic effect on radicalization. Nevertheless, external factors can lead to radicalization too. Allegedly, Saudi religious teachers arrived in Cox's Bazar, setting off the radicalization of a few Rohingya leaders and activists. In the 1980-90s, the Rohingya Solidarity Organization (RSO), the leading militant group among them, forged links with the Bangladesh Jamaat-e-Islami and, especially, it's even more radical youth wing, the Islami Chhatra Shibir (Davis, 2017). With these new connections, the RSO contacted Hizb-e-Islami in Afghanistan and like-minded groups in Pakistan, the Middle East, and Southeast Asia. Afghan instructors came to an RSO camp near Ukhia, Cox's Bazar while about a hundred RSO militants went to Afghanistan for military training with Hizb-e-Islami. It is reported that from the camps in Bangladesh, the Jamaat-ul-Mujahideen (JMB)⁵ is trying to build links with the Rohingyas (Bashar, 2017a).

Nowadays, refugees, as well as related violence issues, receive a higher degree of media attention. In this dire situation, media publicity attracts extremist foreign fighters to this region. The condition is so intense that both the prime ministers of Malaysia and Philippines warned about the security threat due to the Rohingya crisis (IS Recruiting Rohingya, 2018). Besides ISIS and Al Qaeda, South and Southeast Asian extremist groups have already been linked to the latest Rohingya crisis in some way. For instance, media reports that many jihadists from regional countries were trained to conduct terrorist operations either in Myanmar or on standby to go to Bangladesh. In Mindanao, Philippines, Rohingyas have joined and further inflamed a domestic insurgency (Selth, 2018a).

The preliminary literature review guides the study to develop research questions. In the refugee context, various components may lead to possible radicalization. External or push factors affect state capacity and urge to address refugee and endemic grievances, but they also formulate the overall refugee experience from which grievances and radicalization arise. At the intersection between state policies and personal grievances lies a series of socio-economic

⁵ A banned Islamic organization operating in Bangladesh which is also listed as a terror group in the United Kingdom.

actors acting as catalysts in the radicalization process. They set the broader opportunity—the objective conditions—for the radical imperative and subjective interpretations to resonate with real-life references and experiences (Eleftheriadou, 2020).

Being in poor condition in a host country, refugees always compare them with other people. Relative deprivation lies at the center of radicalization. At the micro-level, radicalization rests on the feeling that individual or group status seems to decline or not improve as fast as others'. Refugees are particularly prone to relative deprivation, as difficult living conditions, despair, and lack of prospects quickly render involvement in militant organizations a socially meaningful and economically rewarding activity. As the refugee crisis protracts, appropriate living conditions are accompanied by the issues such as health and education, employment opportunities, crime and safety, injustice, and integration prospects etc (Eleftheriadou, 2020). The despair and frustration of refugees living under such dire circumstances are usually the breeding grounds for resentment, violation and conflicts (Crossett & Spitaletta, 2010). Personal and group grievances are widespread in refugee societies and maybe used as a mobilizing instrument. A sense of injustice is a potential motivating factor that can make individuals join militant groups.

Demoralization, despair, and resentment in a web of uncertainty are provoking factors. Children and young people are particularly susceptible. Young folks have been linked to social unrest. Among the young refugees, this threat is more pronounced, either because they assume the role of breadwinners or because they see no future. A '*lost generation*', with no education and no prospects, continue to breed candidates for criminal or militant activities (Eleftheriadou, 2020). Likewise, the segregation inside ever-extending camps with an inherent tendency to insecurity fosters the long-term institutionalization of refugees, which designs an environment conducive to radicalization (Eleftheriadou, 2020). The statistics from the refugee camps in Bangladesh show that 54% of the refugee population in the camps is under adulthood (UNHCR, 2020). After a few years, the situation is imaginable; hence, when they grow older and find no hope for their future and discover no light at the end of the tunnel. Ultimately, it will possibly be a perilous situation.

Provisional study and data piloting suggest that the push factors are the forces that can alienate people or make them to reject mainstream society (The Roots of Violent

Extremism and Radicalization, 2018). The extrinsic or pushed factors responsible for radicalization maybe of various such as political violence, patronization by extremist groups, policies of governments of host or country of origin, religion, spreading fundamentalism etc (Bondokji et al., 2015). It is apparent that all of these are outside factors. These are pushed by the external environment to the Rohingya community people.

The contexts where refugees live lead them to develop an awareness of their disadvantaged situation through comparison. The reason behind this disadvantage or deprivation is reported as mainly their stateless condition, no citizenship status, treated as an outsider in Myanmar and refugees in other countries, lack of identity, human rights violation, ethnicity, and experience of being ousted. Relative deprivation theory examined that people who feel they are being deprived of something considered essential in their society such as money, human rights, political participation, and freedom of speech etc.

Among the different age groups in refugee camps, young men (15- 24 years) are considered the most vulnerable group (UN Youth, 2014)⁶. Boys who belong to this group consider themselves very much disadvantaged and consequently, they become very much disappointed, which may lead them to radicalization (Aiello et al., 2018). People in their adolescent period become very sensitive about issues of their surroundings (Weine & Ahmed, 2012). All these obstacles put psychological pressure on them, and they feel very deprived.

The problem is, if not addressed properly, this refugee situation in the Rohingya camps in Bangladesh may lead to possible terrorism. It is observed from other refugee cases that various types of problems increase as the refugee settlement is prolonged. Refugees become the perfect targets of the manipulators such as extremists. In Bangladesh, radicalization among Rohingyas may possess severe consequences to the national stability of the country. However, so far, very little study has been conducted particularly on this radicalization issue among Rohingyas in refugee camps in Bangladesh. Hence, this study is crucial because it addresses a crying need to find the reasons of radicalization, which turns refugees into violence and / or terrorism.

⁶ The United Nations, defines 'youth', as those persons between the ages of 15 and 24 years.

1.3 Objectives of the Study

The focus of this study is to determine the intensity of radicalization among the refugee community in the Rohingya refugee camp in Bangladesh. The study uses an established analytical framework of radicalization in this present context. The following are the objectives of this study:

1. To identify the typical characteristics of radicalization in Rohingya refugee camps in Bangladesh
2. To identify the target population who are susceptible to radicalization in the Rohingya refugee camps to ensure the national security of Bangladesh

1.4 Research Questions

The following questions will guide the research to resolve the issues discussed above: What type of parameters is effective in understanding the extent of radicalization in the Rohingya community in refugee camps in Bangladesh? And two sub-questions are:

- a. What is the driving force of radicalization?
- b. Which age group is more susceptible to radicalization?

1.5 Hypothesis

In this context, based on provisional research, the following hypotheses have been suggested:

Hypothesis 1: Extrinsic type of variables is effective to understand the extent of radicalization

Hypothesis 2: Deprivation is the main reason behind radicalization

Hypothesis 3: Young men are more susceptible to radicalization

1.6 Methodology

The research objectives, questions, and paradigm of the study suggested a mixed method of study: qualitative and quantitative. Based on the literature review, data piloting was conducted at first. Thus the provisional data collection guided the study to re-organize the interview questions, questionnaires, and to re-develop research questions and hypotheses as well.

Rohingyas, accommodated in the refugee camps of Bangladesh near the Myanmar border, have been interviewed for qualitative study. Besides that, NGO workers and United Nations agencies officials were also interviewed. They were chosen because of their neutral stance as well as their experiences of working closely with Rohingyas. Although there are thirteen camps in the refugee settlements area at Cox's Bazar, in-depth interviews have been taken at only one camp. As the characteristics of all the camps are identical, the findings are generalized for the entire refugee area. Moreover, Rohingya man living in Japan was interviewed. Senior police officers who are in charge of the camps' security have been interviewed too. They responded especially from security perspective based on their experiences gathered from camps. On the other side, a questionnaire survey has been conducted on a random sampling basis to one hundred and ten security personnel who have been working there for more than six months. Besides that, secondary data has been collected from newspapers, websites, and Cox's Bazar district police.

Observing ethics, all the personal data of the respondents have been kept confidential (Kvale & Swend, 2009, p. 153). Maintaining the research's research standard, in no part of the study name or identity of subject sources is revealed.

1.7 Theoretical Framework

There are various academic theories according to which radicalization and subsequent terrorism issues have been analyzed, such as Crime opportunity theory, Anomie strain theory, Game theory, and the Relative deprivation theory, etc. However, among the theories, Relative deprivation theory has been used in researching refugee-related issues in the recent past.

Relative deprivation theory has three components: comparison, deprivation, and resentment. This theory states that an individual or a group of peoples' subjective sense of being deprived of specific needs or freedoms can result in frustration. When individuals can no longer bear this indignity, a rebellion ensues. Gurr (1970) explained that when these feelings of frustration go unanswered through productive or legal means and are left to fester, they can manifest in acts of violence motivated by, but not always directed toward, the governing body. Socio-economic disadvantage can be a causal factor in radicalization by aggravating perceptions of injustice. This is captured in relative deprivation (RD) theory,

explaining that a person is well aware that others have better conditions or higher social status and that person perceives these differences to be unjust (Christmann, 2012). RD is applicable to individuals and groups (Christmann, 2012)

Nowadays, this updated theory has been widely in different parts of the world to analyze radicalization. It is a sophisticated one as the USA Military also applies this theory to ferret out the root causes of terrorism. It has also been applied in South-east Asian countries. The theory has also been practiced in a nearby country, Pakistan (Fair et al., 2018; Akhtar, 2018). Moreover, this theory has also been studied in Bangladesh to explain political violence (Rashid, 2020). Since this is an established theory in radicalization analysis, the same can be applied here in this particular study.

1.8 Chapter Outline

The thesis paper is organized into six chapters. This chapter provided the background of the study, research objectives, and research questions and hypotheses. The methodology and short description of the whole paper are also discussed. At the end of this chapter, a summary of the research has been presented as well. Then literature is reviewed in Chapter Two. The chapter aims to discuss the theoretical foundation of the study and the framework of the research. This chapter explains different academic theories and the applicability of Relative Deprivation theory in this Rohingya refugee field. Chapter Three discusses the theoretical framework, research design, research approach, and method used to investigate the empirical evidence of the research. Data collection methods, rationale of sampling and ethical concerns are also described there.

The first three chapters were mainly supported by literature and references. However, the following three chapters are solely the researcher's own work. Chapter Four presents the analysis of the data of the study, and after that, the data is interpreted and analyzed to find out meaningful solutions. Chapter Five deals with the discussions and examines the research question to reach the research objectives. Limitations and directions to further research are depicted here. And finally, chapter Six draws the conclusion. A set of findings has been depicted to draw the focus of policy planners and policymakers for combating radicalization and thus prevent terrorism in Bangladesh.

1.9 Research Summary

In sum, the purpose of this study is to determine the intensity of radicalization among the refugee community in Rohingya refugee camps in Bangladesh. This study is crucial because radicalization may turn into terrorism. Based on provisional research, research questions and hypotheses have been set. The study analyzes the characteristics of radicalization among the Rohingya refugees using the theoretical framework –Relative Deprivation Theory. All three components of the theory (comparison, deprivation and grievance) are connected with the Rohingya radicalization issue. Qualitative data is resourced by interviews from the Rohingya refugees. For the quantitative analysis, data has been collected by providing questionnaires to the police personnel working at refugee camps.

The study finds that extrinsic or push factors by the external environment are effective in understanding the extent of radicalization. Deprivation is the main driving force behind radicalization. And it is found that young men are more susceptible to radicalization. Most importantly, so far in the refugee camps, there is no significant evidence of bulk radicalization. Although refugee radicalization in other countries has been researched and in Bangladesh, practitioners have been dealing with this issue, there has been very little academic study based on empirical data and theoretical framework.

The next chapter finds pieces of literatures on refugee radicalization situations in different parts of the world. Then the focus is narrowed down to radicalization among Rohingya refugees in Bangladesh. Research questions and hypotheses are generated from the need analysis, based on the reviewed literatures. A theoretical framework is sorted out from other relevant theories to analyze the radicalization problem among Rohingyas in Bangladesh.

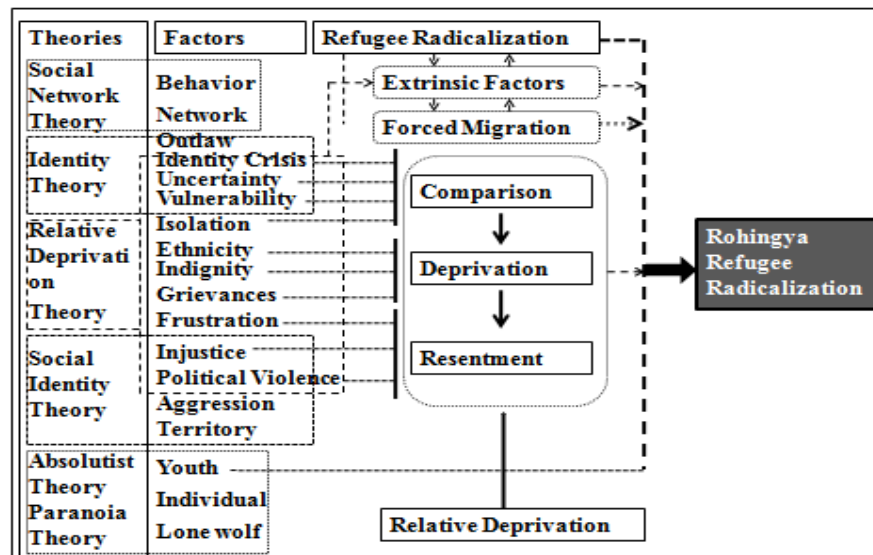
CHAPTER 2: LITERATURE REVIEW

This chapter presents what is known and what is unknown yet about Rohingya refugee radicalization. The chapter gives an outline about radicalization in the adjacent region, infamous terrorist organizations and their radical activities, arguments from counter-terrorism and trans-national crime experts, radicalized Rohingyas in other countries, precedence of the problem, and present situation of refugee camps in Bangladesh.

2.1 Chapter Summary

The contributing factors to radicalization in refugee conditions in different places are identified in this literature review chapter. Research questions are developed, and hypotheses are generated from the threat analysis in refugee camps in Bangladesh. Literature review funnels the study to formulate in-depth interview questions for the refugees to make questionnaires for the target respondents. Based on the literature review, the researcher identifies the most appropriate academic theory to analyze this particular refugee radicalization among Rohingyas in refugee camps in Bangladesh (Figure 2.1).

Figure 2. 1: Comparisons Among Different Academic Theories to Analyze Radicalization Among Rohingya Refugees



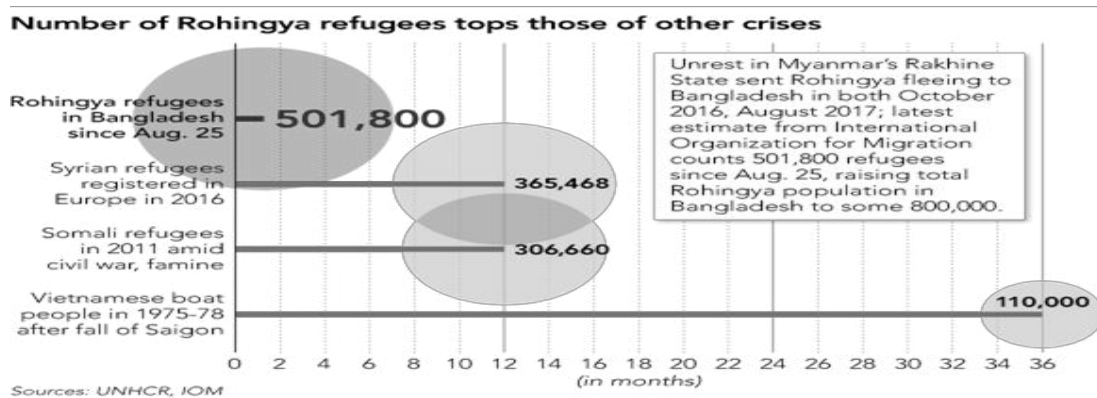
Source: Author.

2.2 Refugee Radicalization

Radicalization is not a new phenomenon at all; it has been cultivated in different parts of the world under different names and types. However, refugee radicalization is a relatively new term. Refugees in their host countries have been engaged in different activities, including extremism, terrorism, and violence. Refugee radicalization has been studied in different parts of the globe. In contrast, not much research has been done, particularly on Rohingya refugees who migrated from Rakhine state, Myanmar to Cox's Bazar, Bangladesh.

The cascading toil of the refugee experience and state policies and restraints build up to explosive carrier of grievances that might give rise to radical violent expressions in the future (Eleftheriadou, 2020). Refugees' grievances towards their country burst out under the difficult conditions in their host countries. As the refugee extremism burgeons in size and intensity, conflict becomes multi-directional. The host country, refugees, social institutions, and other external factors grasped interest in the outcome of the conflict; for instance, Somali refugees in Kenya (Figure 2.2). In Rwanda-DRC, radicalized groups took control of the camps, conducted cross-border armed attacks, and violence spread out to the neighboring region (Sude et al., 2017), followed by a civil war (Salehyan & Gleditsch, 2006, p. 787-801). Hence, it can be stated that grievance has an attributing effect on violence and terrorism.

Figure 2. 2: Number of Rohingya Refugees Tops Those of Other Crises⁷



Source: Kuronuma, 2017.

⁷ To put the numbers in context: The Vietnamese "boat people" who fled after the fall of Saigon amounted to 110,000 from 1975 to 1978. The number of Syrian refugees who poured into the European Union's 28 member states all of last year came to 360,000. Whereas, the number of the Rohingya refugees crossed half a million in less than two months only (Kuronuma, 2017).

2.3 Elements of Radicalization

Schmid (2013),⁸ describes about the factors of radicalization in different situations: social inequality, marginalization and exclusion (Benin), political oppression, and the violation of fundamental rights (Costa Rica), deprivation, injustices, and exclusion (DRC).

Academic researchers find it hard to agree on the root causes of radicalization and thus terrorism. The *Routledge Handbook of Terrorism Research* has identified more than fifty different causes of terrorism. It is rooted in political discontent, a culture of **alienation and humiliation** can act as a medium in which the process of radicalization initiates and extremism comes to thrive. A collective or individual **desire for revenge** against acts of repression maybe motive enough for terrorist activity, and the failure to generate popular support for a radical political program may spark off the decision to utilize terrorism in order to engineer a violent confrontation with the authorities (Silke, 2018, p. 57). Certainly, not all but many of the causes are apparently visible in the refugee camps in Bangladesh. In the latter part of this chapter, probable factors responsible for radicalization among refugees in the Rohingya camps in Bangladesh are discussed.

2.4 Transnational Extremism

Transnational Islamist terrorist groups pose an emerging threat in the region. This prolonged refugee crisis has been continuing and has been exploited by various transnational terrorist groups such as Al-Qaeda (AQ) and Islamic State (IS). Some key factors facilitate the Islamist terrorist threat to Myanmar from IS and AQ. First, the Rohingya community's persecution in the Rakhine state leads to grievances, triggering motivations for revenge and the possibility of the affected community joining terrorist groups (Copeland, 2001). Secondly, the presence of IS and AQ, coupled with attempts to recruit within the South and Southeast Asia region to assert their presence, makes the local communities vulnerable to Islamist radicalization (Basit et al., 2019). In a speech on July 1, 2014, when he declared the establishment of a caliphate in Syria and Iraq, IS leader Abu Bakr al-Baghdadi alluded to the Rohingyas as being among the '*oppressed*' Muslim populations worldwide that IS wanted to

⁸ A scholar in terrorism studies and former Officer-in-Charge of the Terrorism Prevention Branch of the United Nations editor of the journal –*Perspective on Terrorism*, Director of the Terrorism Research Initiative and a research fellow at the International Centre for Counter Terrorism (ICCT).

fight for (Tibbitts, 2019). The permeable border between Bangladesh and Myanmar provides a suitable terrain for insurgent operations by radical groups.

The recent discovery by Malaysian authorities that IS-linked groups have recruited Rohingya refugees further demonstrates the known risk that the Rohingya crisis can be exploited even beyond the Bangladesh-Myanmar border region. Moreover, online extremists in Indonesia have expressed the desire to wage a jihad on behalf of the Rohingyas and referred to their hopes of bringing fighters into Myanmar (Bashar, 2017b). These online narratives highlight that the Rohingya issue remains a convenient plot to be manipulated by transnational Islamist terrorist groups. Given the scenario, it can be argued that cross-boundary extremist outfits are hyperactive in fulfilling their radical target. Therefore, the refugee situation of Rohingya camps in Bangladesh would apparently be treated as an added recipe to their menu.

2.5 Dawn of Radicalization in the Region

The trend began in the late 1970s in ties with Afghan and Pakistani groups (Selth, 2003). In 1978 and 1992, several hundred thousand Rohingyas fled to Bangladesh to escape ethnic violence (OCHA, n.d.). In 1978, a Saudi charity Rabitat-al-Alam-al-Islami sent aid to the refugees and built a hospital, mosques, and madrasas for them at Cox's Bazar. Saudi religious teachers went there, setting off the radicalization among a few Rohingya leaders (De Borchgrave et al., 2009, p. 59). Today's leading political and military organization among the Rohingyas, ARSA⁹, has its roots in radical milieus in Karachi, Pakistan (Pugliese & Mentone, 2018, p. 4.). This preliminary study finds their influences among the refugees in camps. Again, as there have been cases of violent actions by radicalized Rohingyas in Thailand, Malaysia, and Indonesia, such events may happen in Bangladesh as well.

2.6 Demography and Challenge to Security

Bangladesh, similar to its neighbors, has a young and unemployed population (Bangladesh Bureau of Statistics, 2019). Refugee youths and men who have faced violence in their homeland make a vulnerable bunch for recruitment in the business of smuggling, crime

⁹ The Arakan Rohingya Salvation Army (ARSA) or, it is known locally as, Harakah al-Yaqin (the Faith Movement). ARSA's chief, Ataullah Abu Ammar Junjuni, alias Hafiz Tohar, was born in Karachi, studied at madrasas in Saudi Arabia.

and also by terrorist groups. It is reported that at least 14 criminal groups are active in the Rohingya refugee camps, of which some are reportedly linked to ARSA (Prothom Alo, 2019). ARSA's key advantage is its deep integration within the Rohingya camps in Bangladesh and active contacts with the Rohingya diasporas overseas. Besides that, the young refugees could also easily be lured into the local terrorist group (Bhattachargee, 2017). Therefore, young people are a matter of grave concern for radicalization.

A Bangladesh court sentenced three Rohingya extremists to ten years in jail for possessing bomb-making materials, a prosecutor of the Metropolitan Special Tribunal in Dhaka stated. They were arrested in Dhaka in 2014 with materials for improvised explosive devices (Prothom Alo English, 2019). They were linked with several international militant outfits, including the RSO, as reported by AFP. According to the investigation, the accused confessed to planning sabotage in Bangladesh. Besides that, Counter Terrorism and Transnational Crime (CTTC), Bangladesh Police had arrested three JMB members for providing training to Rohingya refugees (The Daily Star, 2018).

Now the fear is about the probability of armed Rohingya insurgents slipping into the camps. Border patrol apprehended two refugees carrying guns shortly after the inflow. An official working in refugee camps said, *"We cannot [prevent] terrorist activity if the scale of refugees continues to grow."* Bangladesh's state minister to foreign affairs stated, *"absolutely unprecedented, because so many people arrived in such a [short] span of time. Everyone must raise their voices before it's too late. In this case, it's too late"* (Asia News, 2018).

History tells that people are keen to nurture the aspiration of reclaiming their lost land, stolen history, and bridle their own lives in most situations such as this. History also reveals that most elongated refugee situations attract exploiters (Hossain, 2019). The opportunity seekers take advantage of the anger and frustrations of the refugees to advance their target. With their assistance, some refugees can be turned into terrorists, or freedom fighters, depending upon the observer's perception. There are abundant elements in the world to take advantage of the hopelessness and frustrations of the refugees to instill the desire for liberation. Islamist components in Bangladesh, too, are likely to join the fray (Hossain, 2019).

An official working closely with the Rohingya community in countering violent extremism focused on "*culture of submissiveness with very little will to fight, as they are so traumatized by what they have endured in the past few years. But it takes only a small number of radicalized individuals.*" (Abuja, 2019) He also opined, "*The ecosystem is there, the trigger is not*" (Abuja, 2019). This research looks to explain the radicalization issue from the national security point of view.

2.7 NGO Activities

Militant-linked charities have emerged across the border in Bangladesh. In November 2018, Bangladesh authorities detained five members of an NGO named 'Small Kindness Bangladesh' in Dhaka (BDNews, 2018). Members of the NGO had allegedly exploited the persecution of Rohingyas to raise funds from Pakistan, Turkey, the Philippines, Canada, Saudi Arabia, and Indonesia, among other countries (Nahdohdin et al., 2019). In August 2018, Bangladesh banned the same NGO from access to Rohingya camps, alleging that their followers had links to Ansar-al-Islam, the Bangladeshi wing of AQIS. Hence, the rise of criminal cases together with the movement of questionable groups demonstrates a clear indication of the presence of radical ingredients in and outside the camps.

2.8 Expert Analysis: Homeland

Bangladesh's top-ranking counter-terrorism police official, Monirul Islam,¹⁰ articulated concern that Rohingya children would be at risk of being provoked into extremism as they will grow into youths if their repatriation to Myanmar is delayed for too long (International Crisis Group, 2019). He further expressed that international terrorist organizations targeted vulnerable Rohingya. "*In future, those [Rohingya] who are now children are likely to get involved with extremism...if enough monitoring is not done,*" Islam concerned (Rashid, 2019). However, he also mentioned that Rohingya refugees had not been involved in extremist activities yet. Dr. Shamsul Bari, a former Director of UNHCR, opined about the Rohingya refugee crisis, its local, regional, global implications, and the possible solutions to it. He suggested, "*Rohingya refugee crisis is a time bomb that must be quickly defused to avoid any future flare-up*" (E Daily Star, 2019).

¹⁰ Chief of Bangladesh's Counter Terrorism and Transnational Crime Unit

Bangladesh's Home Minister, Asaduzzaman Khan, said that he believes influx of Rohingya refugees represents a threat to Bangladesh and wants more international help to force Myanmar to accept them back. He calls Rohingya the influx "*a great challenge*". He is worried that their desperation could lead them to join terrorist groups. He is also worried about the risk of international terror organizations recruiting refugees. "*It will be our threat in the future. These people left everything,*" he said, also verbalizing that the refugees' desperation made them easy recruits. "*For their survival, they will do anything. Anyone can easily purchase them. They can join the international terrorist groups.*" Asked if Bangladesh had any evidence of that occurring, he admitted that security agencies did not, but it was their 'assumption' (Benett, 2017). Practitioners in Bangladesh are well aware of this refugee radicalization situation. Alongside, this study examines the radicalization issue using the academic framework.

2.9 Expert Analysis: Abroad

United Nations High Commissioner for Refugees (UNHCR), Filippo Grandi, and United Nations Under-Secretary-General for Humanitarian Affairs Mark Lowcock and International Organization for Migration (IOM) Director General Antonio Vitorino paid a three-day visit to the Rohingya refugee camp, Bangladesh. The UNHCR, IOM, and OCHA stated in a joint statement,

"The visit aims to highlight the need to continue robust international support for the humanitarian response and a solution for the Rohingya problem including the creation of conditions in Myanmar's Rakhine State that would allow for the voluntary, safe and dignified return of refugees to their homes" (Schlein, 2017).

Grandi said that the Rohingya refugee camps in Bangladesh are potential breeding grounds for extremism (Selth, 2018b). So he argued, stressing how minute the refugees had and how vulnerable they were to various types of risks (Schlein, 2017). He added that it is a timely matter before terrorism burgeons up from the deprivation and poverty widespread in Myanmar's Rakhine state (Selth, 2020). '*The terrain is very fertile for [terrorism]*' he stated.

"So, it is also a question of addressing this issue, not only for the Rohingya, not only for northern Rakhine but for the entire region because if the situation is not resolved, the risk of the spread of terrorism and violence in the whole region ... and this is a particularly fertile region ... is very, very high." (Schlein, 2017)

The violence in Rakhine State in 2017 is qualitatively different from anything seen before (ICG Asia Report, 2017). It also took place in a more inter-connected world, with a more significant threat to influence others. It has already influenced the region's strategic environment (Selth, 2020). Zeid Ra'ad Hussein, the UN High Commissioner for Human Rights, stated that- conditions like these might add to 'a textbook example of ethnic cleansing' (UN News, 2017). Peter Mumford, South-east Asia expert at the Eurasia Group, reported,

"There is a serious risk that events in Rakhine State draw in terrorist fighters from elsewhere in the region/world, as has occurred in Mindanao in Philippines, where they have joined and further inflamed a domestic insurgency" (Kuronuma, 2017).

Rohan Gunaratne,¹¹ in an interview about the Rohingya issue, reported that without a national, regional, global, and local commitment to coexistence, the existing conflicts would deepen, and new conflicts will arise. He compared the Rohingya conflict with other long-lasting problems. He emphasized that living for a long time in refugee conditions breed resentment, and anger that can result in hatred and violence. He raised the question that with the global expansion of IS, will the Rohingya population become easy prey for radicalization and recruitment by terrorist and extremist groups. Gunaratne argued,

"However, both al Qaeda and IS centric groups have attempted to radicalize and recruit Rohingyas with limited success. The past saw the emergence of the Rohingya Solidarity Organization, Arakan Rohingya National Organization, Harakatul Jihadi Islami-Arakan, and recently the Arakan Rohingya Salvation Army" (Khan, 2019).

He further expressed concern that -although these threat-groups do not enjoy broad-based Rohingya support, the recruitment of Rohingyas does present a growing and potential risk. No one would be interested in witnessing the radicalization and recruitment of Rohingya as the threat will spill over to other countries. The apparent indifference of China and India towards the Rohingya issue even though the rise of Islamic militancy could be detrimental for their long-term security and national interest (Khan, 2019). Finally, Gunaratna reported that *"If the Rohingya issue is not amicably settled, it can have implications not only for Myanmar and Bangladesh but beyond. The conflict zones produce suffering, internal displacement, refugee flows, terrorists and virulent ideologies"* (Khan, 2019). It is apparent that

¹¹ An analyst specializing in international terrorism and the former Head of the International Centre for Political Violence and Terrorism Research (ICPVTR), Nanyang Technological University, Singapore.

international entities and experts are well concerned about the possible outbreak of extremism. The factors they mentioned are taken into account for this study to analyzing the characteristics and reason of radicalization among Rohingyas in refugee camps in Bangladesh.

2.10 Characteristics of Radicalization

The literature review guides this study to identify characteristics of radicalization in refugee conditions in host countries at different time, conditions and in difference places of the world. It is apparent from the review that relative deprivation lies at the center of radicalization. The basic instinct behind the relative deprivation row is that it is not the *'have-nots'* rather the *'want-mores'* who choose the radical path (Dawn, 1959).

2.10.1 Political Participation

Radicalization is often linked to the **lack of opportunity for political participation**. A trivial disappointment with peaceful means of political protest turns violence into a choice of *'last resort'* (Eleftheriadou, 2018). Failure to pacify local communities' concerns builds up grievances on both sides: refugees and the locals. Actual or perceived state services towards the refugees cultivate an image of *'favoritism'* among specific indigenous communities, especially if they experience economic sufferings (Eleftheriadou, 2018). If the host state fails to suppress this climate of semi-concealed hostility, deadly attacks might ensue. Attacks of this kind have already been reported in several European countries.

2.10.2 Coupling of Crime With Radicalization

The connection between crime and radicalization is a convoluted one. The grievances that push individuals to radicalism or crime are pretty similar, placing them in the identical demographic pool for recruitment. On the other hand, the parallel path of the *crime-terror nexus* extend beyond the level of grievances, as criminals can join radical Islamist groups in search of a *'redemption from past sins'*—salvation that does not *'require any change of behavior,'* since one can still experience *'power, violence, adventure, and a sense of rebellion and being anti-establishment'* (Basra & Neumann, 2016). Hence, the trend of crime is an indicator to understand possible radicalization.

2.10.3 Identity Crisis

Relative Deprivation and identity crisis are proved to be the sociological catalysts that influence the radical and extremist motivations in susceptible individuals. These individuals become easy targets for the terrorist organizations to accomplish their own ideological and political objectives. As a result, these factors include structural violence, socio-economic exclusion, marginalization, discrimination (real or perceived), and history of identity clashes (Fair et al., 2018). Identity crisis is the derivative of all the factors mentioned above, reinforcing solidarity with radical groups pursuing terrorist acts in the long run.

The role of identity is central to the understanding of radicalization. It is regarded as the '*black box*' among individuals and communities, having little explanation about how it operates (Moghaddam, 2005). However, the identity dynamics have the inherent potential to act as a trigger and perpetrator towards grief, discontent and ultimately violence which maybe terrorism in some cases (Akhtar, 2018). Any disruption or challenge posed to these identity dimensions can lead to aggravation of grievances, turning violent manifestations into terrorist aspirations and activities at any stage (Copeland, 2001). This has always played an essential role as a root cause for terrorism in different world conflict zones.

2.10.4 Sense of Deprivation: Perceiving Oneself as 'the Have Not's

Gurr (1970) explains that collective discontent and resentment are created due to the gap between the expected and achieved welfare among individuals or groups in society. The violence in the wake of this discontent justifies that the vulnerable group perceives themselves to be treated as '*inferiors*' by those who get more benefits or opportunities in a setting. Collective action in the form of violence has often led groups to turn into terror activities in later stages of escalation and aggression (Moghaddam 2005, p. 161). Rohingyas as vulnerable groups collectively consider themselves as deprived and this consideration may guide them to commit violence. This study assumes that deprivation is the main reason behind radicalization in the refugee camps.

2.10.5 Grievance Mechanism

Grievances play an essential role but often more as a mobilization tool than as an individual experience. Personal and group grievances are widespread in many societies and maybe used as a mobilizing instrument. A sense of injustice is a potent motivating factor that

can make individuals join extremist groups. Based on an analysis of terrorist movements, the 'Change Institute' report concluded that '*grievances, real or perceived, inform the employment of violence*' (Barou, 2008). Nevertheless, there is so much injustice globally that grievances alone cannot explain radicalization to terrorism. It needs a sparking event or '*cognitive opening*' connecting grievances to an enemy who is imputed for them or who is supposed to stand in the way of removing the cause of the grievance (Allan et al., 2015). Therefore, injustice leads to grievance and that is a crucial first step of radicalization.

2.10.6 Levels of Refugee Radicalization Drivers

Eleftheriadou (2020) describes three levels of radicalization drivers: these are, micro, meso and macro. Each of these levels has various indicators. Micro belongs to -personal victimization and collective grievances. Socio-economic indicators of micro level are: integration prospects, discrimination, living conditions, employment opportunities, access to education, crime, and safety. The settlement patterns are open camps, hotspots, urban housing, unorganized or unofficial in public spaces urban, rural, remote settlements. Meso level belongs to -violent and non-violent radical groups' access to refugees, level of prior political organization, presence of militants. Macro level belongs to societal rifts such as ethnic, religious, political, socio-economic, centralized/ de-centralized administration, host state capacity and urge to address refugees' and local population grievances.

2.11 Academic Theories

To analyze radicalization and terrorism, many theories have been studied so far. Some of these are Group dynamic theory, relative deprivation theory, social network theory, social movement theory, identity theory, social learning theory, terror management theory, uncertainty reduction theory, paranoia theory, absolutist theory, and humiliation-revenge theory etc (Crossett & Spitaletta, 2010; Arena & Arrigo, 2006). The risk factors based on these theories are emotional vulnerability, personal connection to a grievance, dissatisfaction with the status quo of political activism, positive views on violence, external support, perceived threat, conflict, humiliation, youth, and resonant narrative. Although scholars use the theories illustrated in Figure 2.1 to analyze terrorism, these theories do not really combine radicalization with refugee, ethnicity and identity issues altogether. Social identity theory and identity theory touch upon these issues but did not carry far enough. Studying these theories

makes it apparent that only relative deprivation theory identifies the refugee radicalization among Rohingyas precisely and is appropriate for this study.

Relative deprivation is a type of socio-psychological theory which explains violence and grievance mechanism very well. Political violence creates an environment where sufferers are often forced into aggression (Maile et al., 2007). The literature review observed that Rohingyas at first faced political violence, and then they migrated to nearby Bangladesh to escape. Living in the camps they cannot predict any future of their going back to their land and to normal life again. Comparing to the past, they feel deprived and frustrated. And this frustration takes them on the verge of aggression.

Relative deprivation theory states that a subjective sense of being deprived of specific needs or freedoms can result in feelings of frustration. When individuals can no longer bear this indignity, a rebellion ensues (Smith & Pettigrew, 2015). Folger (1987) depicted that people will assess their current outcome negatively and feel resentful and angry if they can imagine the present situation seems unlikely to improve shortly. Grievance has an attributing effect to any kind of violence including terrorism and Relative Deprivation theory explains this phenomenon very well.

2.12 Uniqueness of Research Questions

Radicalization issue due to the presence of Rohingyas in Bangladesh starts to pose a new threat to the national security of the country. In the past, the world faced and still facing refugee problems in different regions with different backgrounds. However, in Bangladesh, the refugee problem begins on large scale in August 2017 after the mass influx of Rohingyas. There is ample evidence that in a prolonged refugee situation extremism breeds in association with other problems. The countries where Rohingyas have migrated earlier have already faced the radicalization threat. For instance, Malaysia and Philippines apprehended few Rohingyas accused of other crimes along with terrorism.

Literature review shows evidence that radicalization is such an issue that burgeons in a protracted refugee situation. Perhaps, this is one cause why there is no visible balk radicalization in Bangladesh refugee camps yet. This research work started in August 2019, just only two years after Rohingyas' migrated to Bangladesh. However, this is a very critical

time to take this radicalization threat from refugees into utmost consideration to avoid the turmoil other countries are facing due to refugee settlements. However, so far a very little study has been conducted, particularly in this radicalization issue among Rohingyas in refugee camps in Bangladesh.

The novelty of this research is that it focused attention on the refugee environment from national security perspective. Assessing the threat beforehand is crucial because radicalization is such a process, is very challenging to control if it starts once. In this study, literature works are reviewed to determine the characteristics of radicalization among Rohingyas in refugee camps in Bangladesh. The study also gives importance to the particular age group of refugees where intense attention should be given. It sheds light on similar refugee radicalization issues in different geographical locations. This chapter explains the academic theories to explain radicalization and related social problems. Before reviewing the literature, the characteristics, possible threats and consequences, contributing factors for radicalization were unknown to the researcher. The researcher only had professional experience of working with security affairs. After conducting the intense literature review, the researcher finds out the probable factors responsible for radicalization threat such as violence, ethnicity, political reason, statelessness, deprivation, and grievances. The uniqueness of the research questions and hypotheses is that this is a first kind of research in refugee conditions in Bangladesh on security issues, specifically on radicalization threat.

The next chapter guides the study by formulating a research design, theoretical framework and setting the research methodology to determine the characteristics of radicalization among Rohingyas in refugee camps in Bangladesh.

CHAPTER 3: RESEARCH METHODOLOGY

This chapter gives the methodological direction of the study along with the theoretical framework, the choice of the research methods and research units, data collection methods, and rationale of sampling. Before approaching the data analysis, the chapter concludes with the analysis technique of the research.

3.1 Chapter Summary

This chapter describes the theoretical framework to analyze the collected data. Three components of the relative deprivation theory have been considered anchor codes or themes for the qualitative research. All the factors derived from interviews are sub-grouped into these three anchor codes. Thematic analysis of the factors using the theoretical framework leads the research to find out the hypotheses and thus research questions. Besides that, the regression method has been applied to analyze quantitative data.

In order to discover the answer to the research questions, it is crucial for the researcher to gather information in a scientific way that can tackle the research problem. Based on the necessity, the research method could be qualitative, quantitative, or mixed. The purpose of a mixed method approach is that qualitative and quantitative studies in combination provide a better perception of research problems and thus findings than either method alone (Creswell & Clark, 2007). Here, qualitative data has been collected before quantitative data because, according to the research objective, exploring the problem at first is crucial. Then quantitative data is gathered, which is congruent with the qualitative ones.

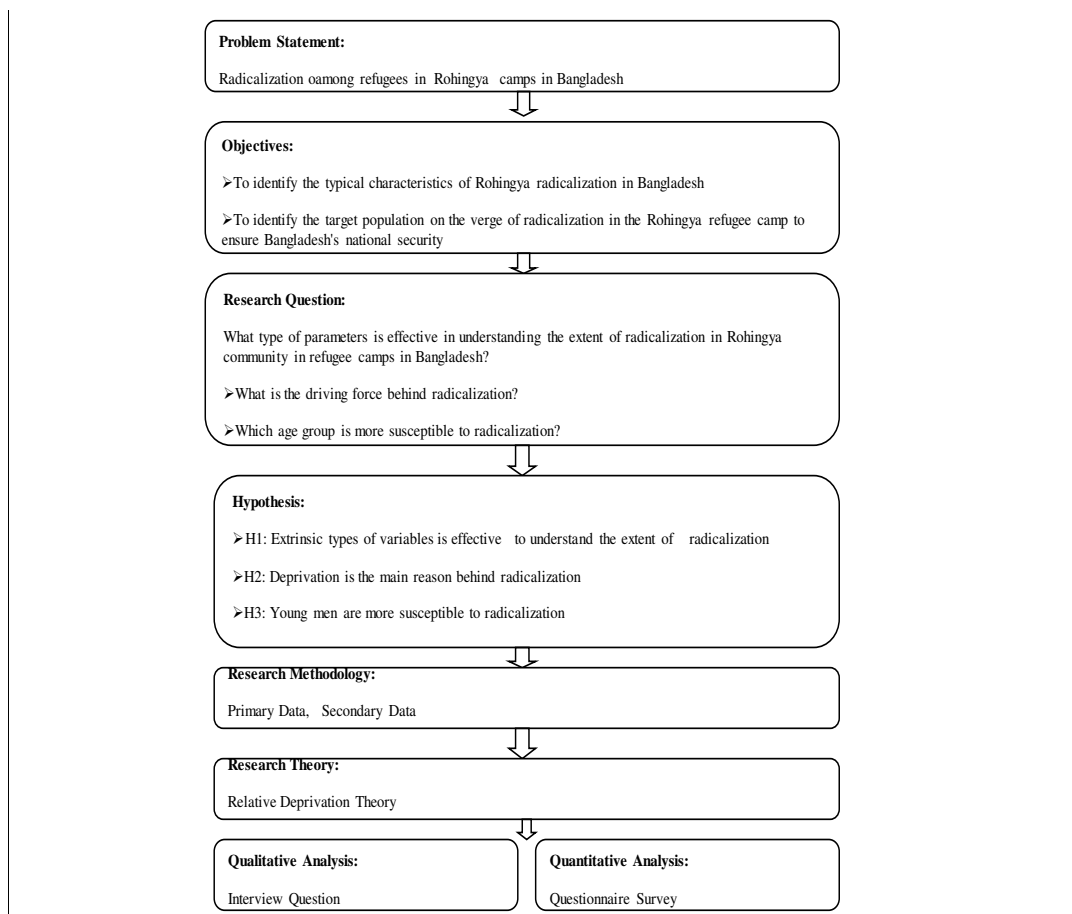
A combination of both methods helps the study to reach accurate findings (Molina-Azorin, 2016). Researchers use different techniques such as interviews, surveys, and focus group discussions for collecting information depending on the research approaches. Here, a mixed method is well-matched with the research objectives. The intent is to establish, confirm, and validate relationships to develop generalizations that contribute to the theory.

3.2 Research Design

The term research design reflects the entire process of research, which can be defined as an integrated approach to select a methodology to define the research question (Trochim &

Land, 1982). Identifying the research design is an integral part of the research. It stipulates the research framework related to data collection and analysis techniques within a limited time and with minimal expenditure. The research design features can differ according to the selection of research methodology, such as qualitative, quantitative, or mixed method. Here research questions are the foundation for selecting a research design.

Figure 3.1: Research Framework



Source: Author.

3.3 Theoretical Framework

There are many derivatives of radicalization. This study will only analyze this terrorism driven radicalization issue in refugee camps. The refugee situation threatens to fuel

social unrest in host countries; for instance, an influx of Syrian refugees sparked resurgence and counter-nationalist sentiment. Therefore, it is easy to extrapolate the Rohingya crisis will enhance tension in the region. The radicalized one considers it legitimate to commit violent or terror activities to achieve their want. Once this radicalization spills out of the refugee camps, it is detrimental for all. From the literature review, it is evident that radical components are surfacing regularly in camps. Scholars identified many factors responsible for radicalization. Way forward, experts are deeply concerned about the future of refugee children.

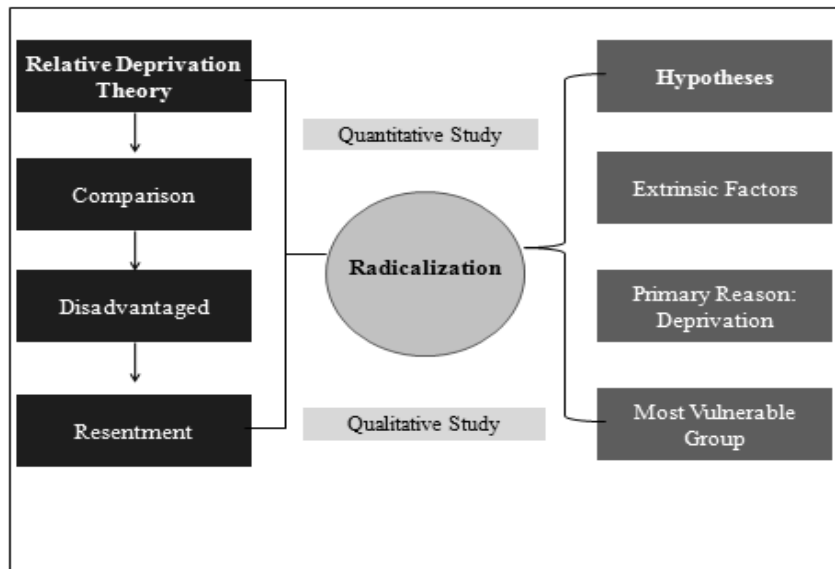
Although refugee influx started in a new dimension recently, many academic researches have been conducted so far; including nutrition, education, economics, gender, and living conditions of refugee camps. Demographic data is available as refugees live within a boundary. Police and other security agencies collect intelligence from camps continuously. However, no research has been conducted specifically on the radicalization issue within the academic framework in refugee camps in Bangladesh. Arguably, radicalization is a snowballing process, and it takes time to become visible. Therefore, the question is how intense the situation of the camps in terms of radicalization is, what type of factors are effective in understanding the motif of radicalization and who are more vulnerable.

The literature review suggests that the refugee radicalization issue in Bangladesh could be analyzed using relative deprivation theory. This study ferret out the applicability of this theory both statistically and qualitatively. This study also determines the characteristics of radicalization in refugee camps among Rohingyas using this academic framework. As a Police officer by profession, the researcher has the experience to deal with radicalization and terrorism. Working knowledge as a practitioner here combines with critical academic reviews of the same issue as a researcher. Hence, field experience together with literature review guides the researcher to develop the following conceptual framework.

Relative deprivation (RD) theory has been employed throughout the social sciences to predict a varied array of phenomena. Individuals experiencing RD evince in turn three sequential psychological processes: [1] they first make cognitive comparisons, [2] then cognitive appraisals that they are disadvantaged, and finally [3] these disadvantages are seen as unfair and arouse resentment. If any one of these three basic requirements is not met, RD is not operating (Smith et al., 2012). RD is widely applicable in comparison, deprivation and

grievance mechanism. The Rohingyas' condition in refugee camps in Bangladesh is apparently a combination of all those subjects. In Bangladesh, this theory has been applied to explain political violence (Rashid, 2019).

Figure 3.2: Theoretical Framework



Source: Author.

The purpose of the research is to analyze the characteristic of refugee radicalization in Bangladesh to learn the challenges of combating it. Taking the study's purpose, the study's objective could be defined appropriately by analytical research. Because according to Cooper and Schindler (2006), in analytical research, researchers use specific theories and hypotheses to interpret a particular phenomenon, whether identifying different factors or variables is another critical feature. Analysis of hypotheses using the academic theory (Relative Deprivation Theory) extracted from the literature review draws the theoretical framework of the study. It stipulates the research framework related to data collection and analysis technique with limited time and minimum expenditure efforts. Here research questions are the foundation for selecting the framework.

3.4 Research Field

The government of Bangladesh provides shelter to the Rohingya refugees at Cox's Bazar, a southern district of the country (Figure 1.1). There are thirteen camps located all

together at two police stations (sub-districts) of the districts, namely Ukhia and Teknaf. The district shares a border with Myanmar, and the Rohingya camps are very close to the border (Figure 1.1). One of the reasons for many refugee settlements (thirteen) is due to the hilly topography of that land. About one million Rohingyas have been living in those camps (Figure 1.2). Primary data for the research has been collected from this field.

There is a security concern both inside and outside the refugee camps. There are several government security agencies providing safety and security for that place. The criminal cases are filed at respective police stations, compiled, and supervised by the Cox's Bazar District Police. The researcher communicated with the District Police to gather crime data. Statistics of criminal cases filed against the accused Rohingyas at those two police stations (Teknaf and Ukhia) have been collected from there. This crime data is considered secondary data. Moreover, the researcher communicated with the Crime Data Analysis Section, Police Headquarters, Bangladesh. From this section, detailed data has been provided. The statistics included the type and number of criminal cases before and after the arrival of Rohingyas. This data is also counted as secondary data for the descriptive analysis.

The researcher communicated with another security agency responsible for maintaining security of refugee camps namely the Armed Police Battalion (APBN). When the Rohingya influx started, in August 2017, the governments of Bangladesh realized the security concerns of the refugees and raised two new units of APBN immediately. The researcher communicated with district APBN Headquarters at Cox's Bazar, and in August 2019 went there to collect data for research. APBN authorities were briefed well about the research objective, research field, and necessity of data piloting.

Together with the APBN officials, the researcher went to Inani Pahar Rohingya camp, camp -2, Ukhia. The officer in charge of the camp supported the researcher by giving a brief report of the security situation of the camp. Then, the researcher asked for a place to conduct interviews with the refugees. A makeshift establishment being used for meeting purposes was considered suitable for the interview. The researcher observed the environment surrounding the camp very well. The professional background helped the researcher to get easy access and thus was able to conduct the interviews of the security protected refugee camps.

The language, which refugees speak, created a problem while interviewing. The officer in charge of the camp introduced a Majhi (refugee leader of a small area) to the researcher. The Majhi was well briefed about the purpose of the study. He then allowed his men to participate in the interview. As the language they speak is not identical to the Bengali language, the researcher had to have help from another person who worked as a language assistant. He had been working for a long time at those camps and he understands refugees' intonation. Rohingyas use a dialect that is to some extent similar to the local Bengali dialect of Cox's Bazar but not comparable with the standard Bengali language.

3.5 Sampling

Among the refugee interviewees, there were nine males and one female. The researcher tried to interview more female refugees. However, that did not happen due to the restrictions of the Majhi. Besides them, NGO workers and United Nations agency officials working in the refugee camps were interviewed. Senior police officers who are in charge of the camps' security have been interviewed too. Moreover, a Rohingya man living in Japan was interviewed. The researcher came to know from a JICE (Japan International Cooperation Agency) staff who told the researcher about a Rohingya community in Japan. Then one of the men who had the experience of living in refugee camps at an early age (after 1990) was contacted. He was briefed about the purpose of the study. Then he had given his consent to interviewing him. In total, sixteen persons were interviewed for the qualitative study.

Table 3.1: List of Participants in Interviews

| Interviewee | Gender | | Workplace/ Location | Partic ipants | Tota l |
|--------------------|--------|--------|-------------------------------------|------------------|-----------|
| | Male | Female | | | |
| Refugee | 9 | 1 | Rohingya Refugee Camp, Cox's Bazar | 10 | 16 |
| Rohingya | 1 | - | Ichikawa, Chiba, Japan | 1 | |
| Security Personnel | 3 | - | Armed Police Battalion, Cox's Bazar | 3 | |
| NGO Activists | - | 2 | UNHCR, UN Women, Cox's Bazar | 2 | |

Source: Author.

Besides, some interviews of the high officials conducted by renowned journalists and published in well known newspapers are considered as secondary data sources. The

interviewees are – UNHCR Chief Filippo Grandi and researcher Rohan Gunaratne, ICPVTR, Singapore. While in Bangladesh, Monirul Islam, the chief of Counter Terrorism and Transnational Crime (CTTC) and Asaduzzaman Khan, the minister, Ministry of Home Affairs, gave interviews were taken into account as secondary data sources.

Table 3.2: List of Resource Persons/ Experts Considered Secondary Source of Interviews

| Interviewee | Gender | Workplace/ Location |
|-------------------|--------|---|
| Researcher | Male | ICPVTR, Nanyang University, Singapore |
| High Commissioner | Male | United Nations High Commissioner for Refugees |
| Chief | Male | Counter Terrorism and Transnational Crime, Bangladesh |
| Home Minister | Male | Ministry of Home Affairs, Bangladesh |

Source: Author.

On the other side, quantitative data were collected by questionnaire survey. The survey was conducted on a random sampling basis to one hundred and ten security personnel who have been working there for more than six months. The length of service in refugee camps is important because they become experienced with the situation analysis of the camps by this time. Obviously, the sample size should be as large as possible. However, it is not feasible to survey many samples if the population is very large. According to Gay and Airasian (2003), in quantitative research, if the population is around 1500, 20% should be the sample size (p. 139). The number of police forces in a unit working around the refugee camps is approximately 600. In this case, the sample size is around 20% of the population.

3.6 Data Collection and Relevance With Sample Selection

Interviews were conducted in an open and isolated place, free from any influences. The researcher at first revealed his identity for a moral purpose. Further, it was stated that although the researcher was a government official here, the purpose is to conduct a research as a graduate student in a public policy program. Then, the interviewer started talking with the refugees with a smiling face to put them at ease. Moreover, the interviewees were asked to feel free to share their opinion.

The problem began with the language. Rohingyas speak in a language that is different from the Bengali language. Inside the refugee camps all the signboards and banners

were written in English and the Burmese language. However, the local dialect of Cox's Bazar has similarities with Rohingyas' language. The researcher asked for help from the officer in charge of the camp. He helped by engaging a person as a language assistant living there at those camps for a long time can understand and can speak in refugees' language very well. It should be noted that the questionnaire was prepared in Bengali language, but the conversation continued in Rohingyas' and Bengali language. The researcher at first asked the questions to the language assistant, and then the assistant translated the question for the interviewees. And the researcher received the answers in a reverse way. This process was time consuming and question remains about the participants' actual grasp of the themes.

Information provided by the interviewees was noted well in a notebook. The researcher listened to the comments from the interviewees via the language assistant and then noted those down. In case of doubt, the researcher repeated the sentences for confirmation. At the same time, the researcher took permission for audio recording from the respondents. All the interviews were audio recorded using the recording application of a mobile phone.

A semi-structured open-ended questionnaire was prepared for the in-depth interviews of the Rohingya refugees. This type of questionnaire allows the researcher to ask additional questions in response to the respondents' comments (Bryman, 2012). Open-ended questions are seemed effective for in-depth interviews in this research. The basis of the questions of the questionnaire was the literature review. The researcher critically reviewed relevant literatures. Important points, crucial factors, radicalization patterns, and theoretical frameworks were extracted from the literatures. These elements were taken into account while formulating the questionnaire. The questionnaire had been revised several times before conducting the interviewees. It was further revised after conducting the pilot study.

All the interviews were conducted face-to-face because it helps the interviewer read the interviewees' facial expressions and body language. The interview started with demographic questions such as name, age, sex, and occupation. Several questions were set against each of the three hypotheses. There were also some questions which were not directly connected to the research questions. However, these questions were asked to make a bridge among the research questions. Respondents answered some questions spontaneously while hesitated in other cases. The researcher observed interviewees' facial expression when they

were trying to express their opinion but could not utter. At the end of each interview, interviewees were asked if they had anything further to say.

Similar types of interviews were conducted with the NGO activists working there in refugee camps. However, some questions in the questionnaire were changed. The NGO officials were from UN Women and UNHCR. Both of them responded spontaneously and provided much information. The officer in charge of the camp and two other senior officials were also interviewed. Their job is to monitor and supervise security of inside and periphery of the camps. However, it seemed to the researcher that they were diplomatic in answering some questions. It is well understood that as government officials, they had some restrictions.

On the other hand, a different set of questions were prepared for the survey for quantitative analysis. Security personnel working in the camps were chosen as a sample for the questionnaire survey. The questionnaire was distributed to them when they were assembled in a shed. Before answering the questions, the researcher briefed them about the purpose of the study. In most of the cases, the question format was based on the Likert scale. The questionnaire was designed in such a way that the respondents' could answer the questions very easily. When the survey is done the researcher expressed gratitude to all the respondents and stated that their response would contribute to the study.

3.7 Rationale of the Sample Selection

Researchers have a limited time frame to accomplish the study. For that reason, they have limited time and resources to collect desired data that may meet the research objectives as Creswell (2013) stated that within the short period, researchers need to execute the data collection activities, after that, they must explore findings to strengthen the claim of the objectives. The purposive sampling method was used here to reach only those people who are intrinsically connected with this Rohingya refugee issue. Rohingyas have been interviewed in order to extract the actual image of the inside incident. In parallel, NGO workers and government officials present there also have their own experience about the situation. Furthermore, security personnel engaged in duty can reveal the extent of radicalization and a possible security threat.

3.8 Data Analysis Technique of the Study

Data was verbatim transcribed in the Bengali language within 24 hours of the interviews from the audio recordings. Hand written notes taken during interviews were added to the transcript (Elliott & Timulak, 2015). After a thorough reading, the transcribed data was checked and redundancies were eliminated (Lapadat & Lindsay, 1999). Then the transcribed data was sent for checking to a professor having expertise in qualitative research methods.

The collected data from the questionnaire survey were accumulated, tabulated, organized, and analyzed through the Microsoft Excel program. Data found in the survey were coded, and then a number is produced against each coding. This coding and numbering process is necessary for the data to analyze statistically. Descriptive statistics was applied to measure the mean and percentage of the selected data. Hypotheses were tested statistically. Then regression analysis is applied to discern the correlation at p-value less than 10%. After analyzing the data, the result is presented through different kinds of diagrams and tables.

3.9 Coding

All the interview data were transcribed to Microsoft Excel. Answers found to each question were categorized respectively. Factors related to the questions were inserted in excel. Code name was given against each factor. The frequency of the code is counted to determine how many times an answer to a code appears (Saldana, 2009). In the first coding cycle, responses were divided into three groups -assertive, negative and no comments.

Table 3.3: Initial Coding Process

| Q | Frequency | Assertive Response to the Q | Negative Response | No Comment / Silent | Factors -Code | Respondent 1 | Respondent 2 | Respondent 3 | Respondent 4 |
|----|-----------|-----------------------------|-------------------|---------------------|---|--|---|--|---|
| 23 | 14 | 4 | 10 | | Abnormal behavior by youth | sometimes they fight | they become violent sometimes. In a small place lots of people have been leaving. It is expected that violence will increase day by day | they start fighting among them on different internal conflicts, may be personal disputes | No. They receive Islamic education only in the mosque. There is nothing else. |
| 24 | 10 | | 10 | 4 | Radical discussion by Iman/leader | can't say | don't know | don't know | No. They only say prayers and make wishes for everyone. |
| 25 | 10 | | 10 | 4 | Radical discussion by anyone at anywhere | can't say for sure | can't say for sure | can't say | we didn't observe |
| 26 | 3 | | 3 | 12 | Suspicious activities by NGOs | fund coming from many sources | there are things not in our control | allegedly reported. But we can't really monitor all of them | we don't know |
| 27 | 3 | 3 | | 11 | Offering money by anyone to join any particular group | in other form; cow meat is distributed by Saudi, Iranian NGO | fund may come from many sources | may be different motivations | don't know |

Source: Author.

A deductive anchor method has been applied in the second step to reduce the data under themes (Costa, 2018). Three anchor codes were created against three research questions. The initial (factor) codes were then grouped into three anchor codes. For instance, twenty initial factor codes were identified for the second anchor code D (Deprivation). Finally, three main themes were developed from three anchor codes.

Table 3.4: Factor Codes Grouped Into Anchor Code for Each Research Question

| Research Question | Q | Factor Codes | Anchor Code |
|-------------------|----|---|-------------|
| RQ2 | 1 | Reason behind Radicalization | D |
| RQ2 | 6 | Recruitment of Rohingya by religious/ extremist group | D |
| RQ2 | 16 | Rohingyas been tortured by Myanmar army | D |
| RQ2 | 17 | Rohingyas response to torture | D |
| RQ2 | 23 | Abnormal behavior by youth in the camp | D |
| RQ2 | 26 | Suspicious activities by NGOs | D |
| RQ2 | 28 | Offering money by anyone to join any particular group | D |
| RQ2 | 29 | Imprisonment in Myanmar | D |
| RQ2 | 30 | Meeting with any terrorist in prison | D |
| RQ2 | 31 | Motivation by terrorists in prison | D |
| RQ2 | 36 | Lost any of their family members due to violence | D |
| RQ2 | 37 | Detachment from loved one due to the situation | D |
| RQ2 | 38 | Losing job due to Rohingya identity | D |
| RQ2 | 39 | Rohingya refugee people are being deprived | D |
| RQ2 | 40 | Why deprived | D |
| RQ2 | 51 | Most vulnerable group in the camp | D |
| RQ2 | 52 | General education to reduce radicalization | D |
| RQ2 | 55 | Connection with parents | D |
| RQ2 | 57 | Children's future | D |
| RQ2 | 58 | Fighting inside camp | D |

Source: Author.

In this study, the thematic coding process has also addressed the applicability of the academic theory. All initial codes were merged into the anchor codes, in other words, three themes. These themes represent three components of relative deprivation theory. Finally, the thematic analysis answered three research questions qualitatively.

Table 3.5: Theme Generated From Anchor Coding

| Theme no | Theme | Theme Description | Anchor Code |
|----------|-------------|---|-------------|
| 1 | Comparison | Rohingyas compare them with others | C |
| 2 | Deprivation | Comparison leads to deprivation | D |
| 3 | Resentment | Out of deprivation they become outrageous | R |

Source: Author.

Although the entire coding and theme generation process is a deductive system, some inductive coding was also used during data analysis. For example, when respondents could not express the information verbally, the researcher observed their facial expressions, sudden silence, eye movement, and body language. In the qualitative part of data analysis, these observations were also triangulated along with expressed words.

3.10 Ethical Concerns

The ethical guidelines of a research consist of consent and confidentiality (Kvale & Swend, 2009, p. 153). Before and after the interviews, the interviewers were well informed about the purpose of the research. Respondents were also informed that the detail of interviews might be used in further studies. When sensitive issues arose, the interviewers were further assured about the confidentiality of the transcript (Ryan et al., 2009). On ethical grounds, all the personal data of the respondents have been kept confidential. Maintaining the ethical research standard, in no part of the study name or identity of subject sources is revealed. Interview transcription, audio recordings, and other identifiable features are kept secured in a pass-code protected computer.

This chapter had described research design, theoretical framework, research field, sampling, data collection, the rationale of sample selection, data analysis technique of the study, coding procedures, and ethical concerns. The first three chapters actually formed the base for data analysis. Data is analyzed both qualitatively and quantitatively in the next chapter. The findings derived from data analysis have also been portrayed there.

CHAPTER 4: DATA ANALYSIS AND FINDINGS

The study looks at the radicalization issue due to the Rohingya influx in Bangladesh. The security threat posed by refugee situations is a national security concern of Bangladesh and a possible indicator of the region's instability. The focus is to realize the intensity of radicalization among the Rohingya refugee community. For the analysis, both primary and secondary data have been taken into account. For the qualitative research, primary data was collected by interviewing the refugees, government officials working in the field, and NGO activists. For the quantitative analysis, primary data was collected by distributing questionnaires to security personnel working in refugee camps. Besides that, secondary data has been resourced from Police Headquarters, Cox's Bazar District Police, and websites.

4.1 Chapter Summary

First of all, in this chapter, the demographic data compares the crime pattern before and after the Rohingyas' arrival in Cox's Bazar. Then, qualitative data has been analyzed using the academic theory – relative deprivation theory. Later, quantitative data has been analyzed statistically with the theoretical framework. All the findings driven from data analysis have been described accordingly. From the data analysis, the characteristics of radicalization among Rohingya refugees are verified; main driving force behind radicalization is discerned, and more vulnerable group is identified.

4.2 Demographic Data

As shown in Table 4.1, UNHCR published a report that almost a million Rohingyas live in refugee camps where more than 54% are children (below 18 years of age) (UNHCR, 2020). This is one of the critical figures which this study looks at. These young boys and girls are the most vulnerable group in terms of possible radicalization.

Table 4.1: Population Data Analysis in Rohingya Refugee Camps, Cox's Bazar, Bangladesh

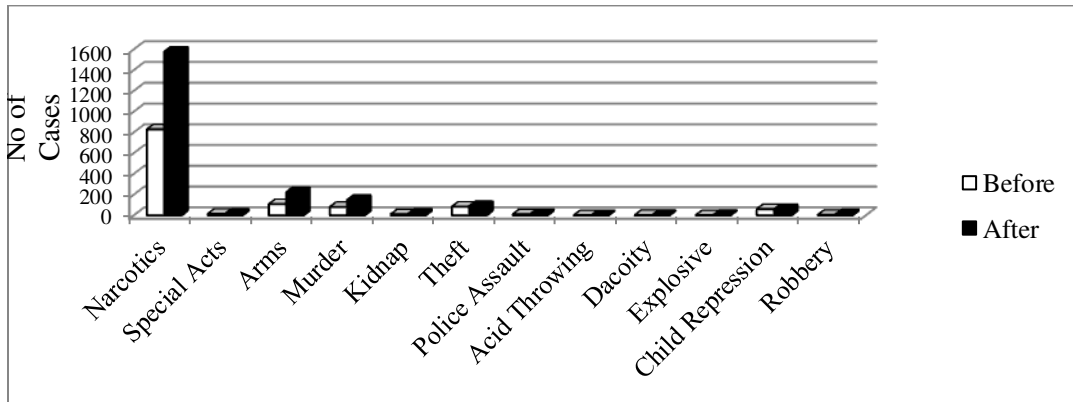
| Population Type | Percentage |
|---------------------------|------------|
| Children | 54 |
| Adult | 42 |
| Older persons | 3 |
| Persons with disabilities | 1 |

Source: UNHCR, 2020.

4.3 Crime Data Analysis

Crime data has been taken from Cox’s Bazar District Police. This data has been segregated into two parts: before the arrival of Rohingyas and after their arrival. The frequency of criminal cases in different sections has been recorded here from January 2016 to June 2017. Laterally, the period is counted after the Rohingyas arrived from July 2017 to September 2020. Then an average (per year) of both the period of data is taken and compared. Figure 4.1 reveals that that number of criminal cases has increased noticeably in Cox’s Bazar district after the Rohingyas’ arrival. Especially, the frequency has almost doubled in narcotics, arms, and murder cases after July 2017.

Figure 4.1: Crime Statistics of Cox’s Bazar District (2016 – September 2020)



It is evident from Figure 4.1 that after Rohingyas’ arrival, the crime rate of Cox’s Bazar district has been accelerated by 27%. However, there question may arise arguing that it is not concrete proof that this acceleration of criminal activities in Cox’s Bazar District is only due to the Rohingyas. This is because there are 13 Police Stations in that district, but Rohingyas live only in 2 Police Stations. There is a possibility of inference of other factors.

In order to get the precise result, the data field then has been narrowed down. The frequencies of criminal cases on different sections at those two Police Stations have been recorded from January 2016 to June 2017. Laterally, the time is counted after the Rohingyas’ arrival that means from July 2017 to September 2020. Then an average (per year) of both the data from those Police Stations is taken and compared. Figure 4.2 highlights that the number of criminal cases filed at those two police stations accelerated after the Rohingya influx.

Figure 4.2: Crime Rate of Rohingya Camps (Teknaf and Ukhia) Police Stations (2016 – September 2020)

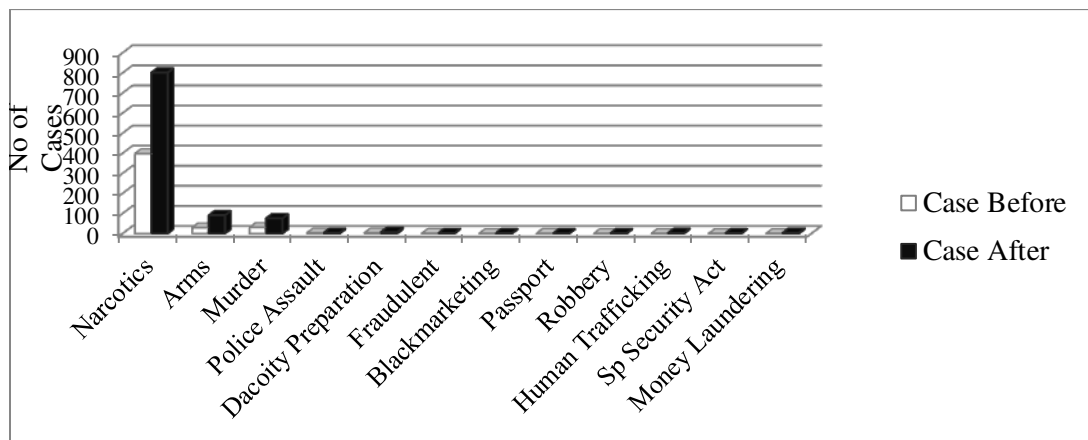


Figure 4.2 reveals that these two police stations' crime rate has increased by 32% per year after Rohingyas' arrival. Therefore, it can be stated that the increase of criminal cases at those 2 Police Stations in Cox's Bazar is only due to the effect of Rohingyas settlements.

Table 4.2 represents the number of cases on different grounds filed against Rohingyas in those two Police Stations since their influx into Bangladesh territory. It is also observed that as they stay for a longer time in the Bangladesh refugee camp, the number and frequency of crime have been amplified.

Table 4.2: Criminal Cases Filed Against Rohingya Accused in the Refugee Camps

| Cases Involving Rohingyas | | | | | | |
|---------------------------|--------------|-----------------------|--------------|-----------------------|-----------------------|-----------------------|
| Case Type | 2017 | | 2018 | | 2019 (January-August) | |
| | No. of Cases | No. of People Accused | No. of Cases | No. of People Accused | No. of Cases | No. of People Accused |
| Arms | 12 | 23 | 13 | 21 | 11 | 38 |
| Murder | 08 | 22 | 15 | 33 | 20 | 81 |
| Rape/ attempt | 02 | 02 | 16 | 27 | 13 | 27 |
| Narcotics | 22 | 40 | 95 | 159 | 91 | 169 |
| Abduction | 00 | 00 | 09 | 39 | 16 | 40 |
| Human Trafficking | 00 | 00 | 02 | 08 | 22 | 94 |
| Dacoity | 02 | 06 | 07 | 26 | 00 | 00 |
| Special Power Act | 02 | 03 | 09 | 20 | 10 | 20 |
| Other Crimes | 28 | 63 | 42 | 81 | 14 | 46 |
| Total | 76 | 159 | 208 | 414 | 187 | 515 |

Source: Asia News Network, 2019.

Most alarming is that the crime rate in those two stations has multiplied on very grave sections such as murder, possession of arms, and drugs. The rate of narcotics cases has more than doubled since the arrival of refugees (Table 4.2). They carry a particular type of drug, and then by the drug peddlers, this drug is transported throughout Bangladesh.

The situation inside the Rohingya camp is getting deteriorating as killing and homicide-related crime has been surging at a high rate. Table 4.2 clarifies that the rate of murder and associated crimes has been increased by almost 2.5 times after July 2016. These people are getting involved in this severe type of crime, which is definitely alarming.

Another type of serious crime Rohingyas are getting involved in is carrying arms. Table 4.2 highlights that the rate of arms-related cases increased by three times compared to previous years. Given that, armed groups are reported in adjacent hilly areas at the border between the two countries, it is understandable that arms are being carried through the permeable fences.

Schmid (2013) mentioned many factors of radicalization in different situations. Among other factors, he mentioned the presence of any one of the three factors –arms, narcotics and murder in different parts of the world- to be the causes of terrorism and radicalization. From the crime data analysis, it is apparent that the rate of criminal cases involving arms, narcotics, and murder has been so rapidly increased that it may cause possible radicalization in the Rohingya refugee camps.

4.4 Qualitative Data Analysis

The semi-structured, one-to-one, in-depth interviews were conducted at the Rohingya refugee camp, Ukhia, Cox's Bazar Bangladesh. Besides that, a Rohingya refugee now living in Japan has also been interviewed. The interview method was more flexible, happened in real-time and had the function of meaning interpretation. There are sixteen respondents in total. All the data has been grouped into fifty-eight activity codes in the excel spreadsheet for qualitative analysis. Then based on the theory and the research question, these activity codes are clustered into three anchor codes. The frequency of each code having been spoken by the participants has been counted. Finally, the summation of frequencies under each cluster is presented with the respective anchor codes.

4.4.1 Relative Deprivation Theory

The relative deprivation theory has been taken into account for evaluating the research questions. Based on the research questions, three hypotheses have been made. For the quantitative study, data has been received from one hundred and ten police personnel who have been working inside and outside the refugee camps for more than a year. The bulk data is analyzed to evaluate the components of the theory as well as the hypotheses.

4.4.1.1 [1] Cognitive Comparison

This is the very first component of RD theory. Codes to evaluate this component are: Reason behind Radicalization, Rohingya's Religious Identity, Connection with a religious group in Rakhine, Stance of Bangladesh government about Rohingya, Political violence exhibits higher risk of radicalization, Stance of Myanmar government about Rohingya, House raided/torched by security forces in Rakhine state, Local people Xenophobic or friendly, and Observing ethnical violence.

4.4.1.1.1 The Reason behind Radicalization: All the respondents more or less talked about this factor. While interviewing, they mentioned different reasons: Isolation, economic condition, poverty, revenge, motivation, religion, lack of citizenship, ill-treatment, identity crisis, torture and no human rights. These causes are also being supported by Schmid (2013). One of the Rohingya men said, *'There are definitely some reasons. A bird has its value of own life whereas Rohingyas don't have.'* Upon these points, Rohingyas compare themselves with other people. Rohingyas are comparing the people with citizenship status living in Myanmar with all rights, facilities and services.

4.4.1.1.2 Rohingya's Religious Identity: In a broad category, Rohingyas are Muslim. However, their section is different from the most common sub-groups such as Sunni and Shia. They belong to a small section of Islam called - Ahle Sunnah. Moreover, their ethnicity is different from others in Myanmar. They call themselves –Rohingya whereas Myanmar government used to call them migrants from outside. Therefore, both about religion and ethnicity, Rohingyas compare with the majority groups and then discover themselves as alien or separated.

4.4.1.1.3 Connection with Religious Groups in Rakhine: In the Rakhine state, Rohingyas are not allowed to practice their religion. There is no religious group that they can be connected to. The government somehow forbids the right to assembly for religious purposes. One of the respondents stated:

“There is no right of religious assembly and to perform religious activity in a group. If government, allowed Rohingyas to do that, to communicate, there would be less chance of extremism. Then Rohingya Muslim leaders could easily control the situation. Now extremist groups like ARSA, they came actually from outside for example Pakistan, Indonesia. They used to train people.”

Rohingyas compare this situation with other people who can perform their religious activities. There are certain problems that are usually solved by local religious leaders of the community. However, in the Rakhine state, a void is created in this field. One of the significant findings from this data is that, taking this opportunity, extremist groups may find a way to intervene there.

4.4.1.1.4 Stance of Bangladesh Government about Rohingya: All the Rohingyas interviewed replied that the Bangladesh government supports them by providing shelter, land, and resources. However, the government is yet to give ‘*Refugee*’ status to them. Maybe many geo-political factors are involved. One of the United Nations agency representatives said that the hosting government needs to have more facilities. According to her,

“Bangladesh government is supportive. There is scope to provide more facilities such as employment opportunity, internet connection, access to education, permission to go outside the camp etc.”

Rohingyas compare that these facilities are enjoyed by the local people whereas they cannot.

4.4.1.1.5 Political Violence Exhibits a Higher Risk of Radicalization: All of the respondents opined assertively on this factor. As mentioned by Bondokji et al. (2015) the origin of all other problems lies here. The United Nations High Commissioner on Refugees Filippo Grandi stated this as ethnical violence and probably genocide (Schlein reported in ‘UNHCR: Risk of Terrorism’, 2017). One of the Rohingya interviewees said, ‘*We are here due to this reason. This is responsible for everything.*’

4.4.1.1.6 Stance of Myanmar Government about Rohingya: Again, this is a factor where everyone opined in harmony that the Myanmar Army is against them. Rohingyas briefed that army and some other religious leaders treat them as the enemy. So, it is observed that Rohingyas compare their government's stance with others inside the same country.

4.4.1.1.7 House Raided/Torched by Security Forces in Rakhine state: There are satellite images of the atrocity (Human Rights Watch, 2017). The International Court of Justice also told Myanmar to preserve the pieces of evidence of the alleged genocide (International Court of Justice, 2020). Rohingyas compare and observe that none other but only their home is torched with fire from the old ages. In the interview session, refugees said that their group is so lucky that they fled to Bangladesh before the arson. According to them, it is not a new issue; it used to happen from long ago. *'It also happened earlier. In 1942, war against England about 1,00,000 Rohingyas been killed.'* Probably it was during the second world wartime period. On the recent incident, one of the interviewees told,

"...torched by army. In August 2017 we heard that some distant villages have been torched. People from there started to leave their home. At that time our Majhi (Village Leader) said to us to stay until we are being attacked. Few days later, he said that he is no longer capable of protecting us, we may leave as early as possible. Then we came to Bangladesh."

4.4.1.1.8 Local people Xenophobic or Friendly: This is a particular point about which Rohingyas are apprehensive now compared to the early days. They informed that earlier local people were amiable, but now the situation is getting adverse. As Milner (2009) stated that this transforms into tension and clashes. A representative of the UN Women said,

"Local people can see that they are being neglected. All aids are coming for Rohingyas only. Their economic condition is not good but no one is taking care of it. Refugees are using their land, forest, and natural resources. As a result they are suffering. So, local people envy refugees."

So, a comparison is observed from both the sides, refugees and the local host community as well. On the other hand, one security personnel stated,

"...now getting hostile. It is very natural. House rent is getting high, price of daily commodities getting higher, crime increases, they are spreading diseases, creating sex related hazards etc."

4.4.1.1.9 Observing Ethnic Violence: Almost all refugees stated that they ran away when they heard about this news started in Rakhine state. They think that Buddhist leaders treat them as enemy. One refugee said, *‘Yes, I observed ethic violence but on a small scale. Not a big one.’* Further, it is revealed from the interview that Rohingyas also compare the attitude of other religious groups to them.

4.4.1.2 [2] **Disadvantaged or Deprived**

As per the Relative Deprivation theory, Rohingyas think they are disadvantaged based on those comparisons mentioned above. Activity codes to evaluate this component are: Reason behind Radicalization, Recruitment of Rohingya by religious/ extremist group, Rohingyas been tortured by Myanmar army, Rohingyas response to torture, Abnormal behavior by youth in the camp, Imprisonment in Myanmar, Losing a job due to Rohingya identity, Rohingya refugees are being deprived, Why deprived, the most vulnerable group in camps, General education to reduce radicalization, connection with parents, children's future, and Fighting inside camps.

4.4.1.2.1 Reason behind Radicalization: The interviewees mentioned different reasons behind radicalization: isolation, economic condition, poverty, revenge, motivation, religion, lack of citizenship, ill-treatment, identity crisis, torture and no human rights. Each of the factors has an inference on Rohingyas' feeling of deprivation. As Gurr (1970) explained, these reasons may make people frustrated, and this frustration may turn into violence.

4.4.1.2.2 Recruitment of Rohingya by Religious/Extremist Group: Many Rohingya respondents (55%) said they do not know about this. At the time of interview, they were looking at each other with a puzzled expression. Maybe they did not find it easy to talk to an unknown person about those issues. But, one of the Rohingya men stated elaborately,

“...no. JRC leader was in Pakistan. He went to Afghanistan where he learned about armed movement. They call them freedom fighter. Even Rakhine Buddhists (Arakanis Army) have been fighting against Myanmar government to establish their own Buddhist land in Rakhine. Anyway, Rohingyas don't want independence. They just want to live there peacefully by enjoying all their rights. They want a secured life so that army or anyone can't torture on them, take their properties away from them. They fight only to claim their human rights as citizen.”

This Rohingya man tried to mention that they feel deprived as they do not have any human rights and citizenship status. He used the word '*fight (They fight only to claim their human rights as a citizen)*', which indicates that a portion of Rohingyas believes and maybe engaged in armed movement.

On the other hand side, the chief of UNHCR, along with other high officials of the United Nations, expressed their concern about the possible recruitment issue,

“...even if Islamist links to the Rohingyas were marginal before 2016, the potential now exists for them to be developed. There is a risk too that radicalized Rohingyas will be recruited by international terrorist groups. Also, Muslim communities in South and Southeast Asia have been outraged by the treatment accorded to their co-religionists in Myanmar, making them vulnerable to Islamist recruiters. The dire situation in Myanmar and Bangladesh has already attracted the attention of various extremist groups.”

It is clear that the feeling of deprivation makes the refugees easy prey to the extremist recruiters. Academicians are also concerned about the recruitment of refugees. Abuja (2019) stated that Rohingya refugees have drawn attention from international terrorist groups. Hossain (2019) also expressed his findings that, refugees become the target of recruitment in prolonged situations. The home minister of Bangladesh, in an interview, stated Rohingya influx '*a great challenge*'. He is worried that their desperation could lead them to join terrorist groups. He is also worried about the risk of international terror organizations recruiting refugees. He stated,

“It'll be our threat in the future. These people left everything. 'Refugees' desperation made them easy recruits. "For their survival, they will do anything. Anyone can easily purchase them. They can join the international terrorist groups also.”

His concern is that the deprived people can be controlled very quickly when they are at the wrong hand.

4.4.1.2.3 Rohingyas Tortured by Myanmar Army: Most refugee respondents said they migrated to Bangladesh before that. When heard about the massacre, they fled to Bangladesh. They feel deprived that no other groups but they have to migrate away from their

land only due to their ethnicity. However, they also stated that their fathers and relatives had been tortured at different times.

“They sometimes come to our village, capture us and take some bribe. At our village we have to protect us from miscreants at night time. Army sometimes says that we do not do our duty properly; they will send us to jail. Then they demand for our chicken for not to be arrested.”

Only one man mentioned that he left his land when the army came to his village and started torture and arson. Opposing other respondents, he stated that he lost his people at that raid. Schmid (2013) mentioned that oppression is one of the causes of radicalization. RD theory explains that oppression makes people feel deprived.

4.4.1.2.4 Rohingyas Response to Torture: NGO workers and security personnel working there informed that Rohingyas want to take revenge but do not have that strength. In contrast, refugees say that they want to go back to their land. One of the refugee respondents stated, *‘It depends on situation. When you are weak, you can’t do anything. You have to wait till gaining strength.’* It indicates clearly that due to this disadvantaged situation, a sense of revenge or reaction has been developed among themselves.

4.4.1.2.5 Abnormal Behavior by Youth in Camps: Facing this question, refugee respondents replied that there is nothing about that. However, the security personnel and NGO workers stated that there are reasons to be concerned. One of the officers in charge working at the camp stated that,

“They become violent sometimes. In a small place lots of people have been leaving. It is expected that violence will increase day by day.”

The behavior of youth is connected with social conditions. As Eleftheriadou (2020) said, if the threat is more pronounced, this youth would become a lost generation and continue to join militants.

4.4.1.2.6 Fighting Inside Camps: They do not see this as a problem. However, experts say that it could be the beginning of possible massive violence. The trend of increasing crime rate has been recorded since they arrived in the refugee camp. However, Rohingya respondents said that it is very typical. According to one of them, *“Young boys*

engage in fighting with each other. It is very normal. Because a lot of people live inside a very congested area.” One representative of a UN agency stated,

“Many people have been living at a small place. It is normal that there would be bad people. It will certainly increase the problem and crimes as well.”

Possibly the deprived people cannot show much resilience to day-to-day issues occurring around them (Milner, 2009). Out of the deprivation, they may engage in fighting very often. The crime data analysis also suggests that various types of crimes have been accelerating in the refugee camps.

4.4.1.2.7 Imprisonment in Myanmar: Refugee interviewees replied negatively to this question that they do not have experience of going to prison. Nevertheless, they said that their relatives had been arrested several times. This arrest, with or without a valid reason, makes them feel deprived.

“No. My father had been arrested several times. My cousin brothers are still in prison. Whenever there is an issue, army comes and arrests few people from neighborhood and torture.”

4.4.1.2.8 Losing a Job due to Rohingya Identity: Rohingyas stated that they worked as farmers in Rakhine and now lost their land. One refugee said, *‘We didn’t have any job opportunity, neither in the capital or other cities nor at Rakhine.’*

Mainly, Rohingyas work in Rakhine as farmers and they used to grow agricultural products. Due to this atrocity, now they cannot go back to their land. They were not allowed to apply for any other job or business inside their province or other parts of Myanmar. This lack of opportunity made them very disadvantaged and deprived as well.

4.4.1.2.9 Rohingyas are being Deprived and the Reason for Deprivation: All the Rohingya respondents expressed their grief on that question. One of them said,

“They [Myanmar government] do not like us. Our children cannot go to schools. We could not go out for finding jobs. Often they use to come to us for taking bribe. They took our chickens etc.”

Another refugee briefed the situation as,

“We do not have any identity; we can’t have any rights to say about anything. We don’t have any minority rights. In Bangladesh, there are many tribes- they can enjoy all these. But in Myanmar - no. We can’t practice our culture there. Even we don’t have possession over land.”

Whereas, security personnel stated that according to their understanding, ethnic clash and political violence are the reasons behind it. In parallel, NGO workers said that these people do not enjoy any human rights. Folger (1987) expressed that this indignity may lead aggrieved people to commit violence. The UNHCR chief condemned the killings in August of Myanmar security forces by Rohingya insurgents (Schlein, 2017). Further, it stated that it was only a matter of time before terrorism spread out from the discrimination and poverty prevailing in Myanmar's northern Rakhine state.

4.4.1.2.10 The Most Vulnerable Group in Camps: Rohingya refugees are most concerned about the way their children are growing up. Security personnel said,

“Young boys are most vulnerable. Young girls are also vulnerable. Middle aged men also need to something. If they don’t have to do something, it is easy for others to engage them in any activities.”

NGO activists observe the vulnerability from their viewpoint. One of them narrated,

“Young people are at higher risk; especially young girls. They are at risk of being abused. Rape cases have been reported often. There is more violence I believe, but not being reported.”

A top brass counter-terrorism expert in Bangladesh opined,

“Rohingya children would be at risk of being lured into extremism as they become youths if their repatriation to Myanmar is delayed for too long. In future, those [Rohingya] who are now children are likely to get involved with extremism...if enough monitoring is not done.”

People in their adolescent period become very sensitive about issues of their surroundings (Weine & Ahmed, 2012). All these obstacles put psychological pressure on them and they feel very much deprived.

4.4.1.2.11 Children's Future: Rohingya parents are worried about the future of their offspring. One of them said, *“That is the problem. Children do not have any education, what*

will they do when they are grown up. There is no job, how will they survive.” Bhattachargee (2017) stated that in refugee conditions, children might be lured to terrorism. Human rights activists also expressed their concern as,

“If bad people come and guide them it is possible children will take arms into their hands. It is best to take them back to Myanmar. Otherwise, may shift to Hills rather than taking to Vasanchar.”

Recently, a portion of the refugees has been shifted to Vasanchar- a remote area in Bangladesh. NGO activists are worried that this may make the situation worse.

4.4.1.2.12 General Education to Reduce Radicalization: Rohingyas understand that general education is crucial to living their life. On this point, NGO workers stated that there is no formal permission from the Bangladesh government to provide education to refugee children. Therefore, lack of education (Lee, 2011) is a critical issue from which these people are being deprived right now.

4.4.1.3 [3] **Resentment or Anger**

According to the theory, all these deprivation factors foster resentment among the people. Activity codes to evaluate this component are: Reason behind Radicalization, Existence of extremist group inside the camp, Influence of ARSA inside the camp, Having material of radicalization, Political marginalization, Rohingyas support IS/Al-Qaeda, Rohingyas support jihad, Intention to go to jihad, Rohingyas action in future, Rohingyas connection with ARSA, Radical discussion by Imam/leader in the mosque, Going to jihad in Syria/IS from Rakhine, Any resentment out of this deprivation, After-effect of resentment.

4.4.1.3.1 Reason behind Radicalization: The answers obtained against this question from the respondents are: Isolation, revenge, motivation, religion, lack of citizenship, ill-treatment, identity crisis, torture, and no human rights. Any of these reasons is enough for developing a feeling of resentment among them. In this regard, the chief of UNHCR said,

“Looking at the refugees in Bangladesh, almost every factor identified by radicalization experts can be found, to a greater or lesser degree. The combination of limited health facilities... and overcrowded sites, you can well imagine, is a recipe for disaster.”

4.4.1.3.2 Any Resentment out of this Deprivation: A sense of anger aroused among Rohingyas. One respondent expressed his anger as, *'We are very angry. Why does this happen to us? What is our fault?'* The Rohingya refugee people are the victim of the situation indeed. Due to the political stance of the country coupled with ethnicity, they are being persecuted. One of the leaders of these people in the camp expressed frustration, *'Yes Rohingyas can't enjoy their rights. That's why if young people take arms, they will not listen to us even.'* Actually, as (Smith & Pettigrew, 2015) mentioned, everyone is at risk of the possible eruption of the resentment invoked from the reasons mentioned above.

4.4.1.3.3 Existence of Extremist Groups inside Camps: Rohingyas were staring at each others' faces with a perplexed look, when this question was asked. Taking time, then some of them replied very quietly that they heard about dacoit groups but did not see them. In another way, all over the local media and in national media, the existence of militant groups has been reported. Rohingyas also mentioned to other agencies and NGOs about the disturbance created by these groups (Bashar, 2017c). However, maybe they did not find it comfortable to express their opinion to the unknown interviewer. The officer in charge of the camp reported that there are several armed groups between the borders of the two countries, such as Al-Hakim group. A renowned counter-terrorism and trans-national crime expert in the country stated, *"International terrorist organizations were targeting vulnerable Rohingyas. So far, Rohingya refugees have not been involved in extremist activities."*

The home minister of the country also chorused in a similar way when he was asked if Bangladesh had any evidence of that happening; he stated that, *'Security agencies did not find any, but that it was their "assumption" it was likely.'* So, it is clear that all the concerned agencies and responsible people are well aware of the possible threat of the situation. Although there is no significant symptom to report, this may only be the tip of an iceberg.

4.4.1.3.4 Influence of ARSA inside Camps: The refugee respondents almost refrained from answering this question while looking at each other. One of the security personnel stated, *"yes. Even outside the camp allegedly they have a center mosque where they can assemble in the disguise of Bangladeshi Muslim believer."* Secretly one of the refugee respondents said,

“There is a possibility. But this is not possible inside Bangladesh. They may recruit people and train them inside jungle of Burma territory.”

Based on the responses, it can be assumed that taking advantage of permeable border area ARSA or other militant groups may have trespassed to and away from the camp (Bashar, 2019). Using the resentments of the refugee people, they may try to recruit them as well. When asked about Rohingyas’ connection with ARSA, Rohingyas replied negatively, while security personnel said it is possible to have connections among them. However, from the government side, it is said, ‘*So far, Rohingya refugees have not been involved in extremist activities.*’ Not surprisingly, out of their resentment, a risk always persists of this connection.

4.4.1.3.5 Material of Radicalization: Neither security personnel nor refugees said they had seen any material of radicalization such as leaflets to anyone or at any place inside the camp. However, this question was asked to understand the level of radicalization. This can be explained as a positive factor that the situation of radicalization is still under control.

4.4.1.3.6 Political Marginalization is the Cause of Radicalization: Refugee people make responsible the government of Myanmar for everything. They have all their anger on the Myanmar army. Fair et al. (2018) stated that marginalization is one of the causes of grievances. Regarding the marginalization issue, United Nations stated this as ethnic cleansing and probably genocide (Bruce, 2017).

4.4.1.3.7 Rohingyas Support IS/Al-Qaeda: Half of the respondent refugees said they hate these names while others kept silent. One of the respondents said that,

“No. I don’t support. IS is created by non-Muslims. They made it to defame Muslims. They use and abuse people in Afghanistan. Again there are some people who believe in Salafism in Saudi Arabia who are responsible for that.”

It is a relief to security personnel that a negative attitude toward IS/ Al-Qaeda is present among the refugees in the camps. Although Rohingyas have resentment, it is not linked to supporting militants yet.

4.4.1.3.8 Rohingyas Support Jihad: Rohingya respondents replied that they only want to go back to their land. Only one of them said that it depends on the situation. However,

security personnel opined that Rohingyas want to establish their rights. Maybe they are thinking about the different paths of achieving rights because their level of resentment varies.

4.4.1.3.9 Intention to Go to Jihad: Rohingyas' replies were similar to the previous question as they said they want to go back to their land with dignity and rights. One of them said, *'Now I don't think we are in a position to fight against Myanmar government. We need support from Bangladesh. Otherwise, it is not possible now.'* It means that out of their resentment, they intend, but they are incapable of doing so (Abuja, 2019). Security personnel also think that Rohingyas are not in the edge of revolt.

4.4.1.3.10 Going to Jihad in Syria/IS from Rakhine: Rohingyas stated in unison that no one from the Bangladesh refugee camps went to Syria or IS. One of the respondents said, *"Not from Rakhine or Bangladesh camp. But it is heard that those who went to Pakistan from Rakhine, some of them had gone to Afghanistan."* It is alarming that few of the refugees have been traveling to Syria due to invoking resentment from other parts of the world. At the same time, there is no report of anyone coming back from Syria/ IS to the camp. However, there is always a chance for possible linkages (Tibbitts, 2019). Although there is no precedence, it may be a matter of time before the same happens in Bangladesh camps.

4.4.1.3.11 Rohingyas Action in the Future: Refugee interviewees opined that they want to go back to their land as soon as possible because no one can be happy to live a measurable life in a foreign country as a refugee. Nevertheless, a security expert opined, *"In future, those [Rohingya] who are now children are likely to get involved with extremism...if enough monitoring is not done."* This argument coincides the findings of Eleftheriadou (2020) who also is concerned about children's future.

4.4.1.3.12 The After-effect of Resentment: Rohingya respondents expressed their grief on that question. One of them said, *"We seek justice. We want to go back to our home peacefully. Any big and powerful country can take initiative and solve our problem."* Risk is assessed from their opinion that any party may take advantage and bias these refugees as that powerful state or organization. Schmid (2013) finds oppression as one of the main causes of radicalization. Security personnel also opined that if suppressed, anyone would take the

chance of revenge. A human rights activist working in the refugee camp shared her experience of an event in this regard,

“They may want to take revenge. We arranged an art competition among the refugee children. We have seen that a picture is drawn by a boy which showing he is targeting arms toward the uniformed people. Maybe his target is to take revenge on their army. This could be an example of turning children into radicalization.”

This suggests a worst case scenario when children are visualizing revenge in their mind setup (Rashid, 2019). This is definitely a clear symptom of radicalization, which is unknowingly invoked among them. International Crisis Group (2019) stated that at prolonged cases children may be provoked to extremism. Now the question is how many children bear this type of attitude. UNHCR chief stated,

“It was only a matter of time before terrorism sprouted up from the discrimination and poverty prevalent in Myanmar's northern Rakhine state. The terrain is very fertile for [terrorism],”

When the respondents were asked if they had any final opinion or suggestions on the issue, many expressed their feelings spontaneously. These comments also help the study to understand the situation. One of the Rohingya men said,

“Why people come from there. What’s the reason behind that. It is better to find it out. They come here to save their life. I want their rights back so that they can go back to their country. It must be with their citizenship rights in Myanmar. They didn’t come here to live for long, it is temporary.”

Besides that, security personnel opined their feelings expressing the future prediction of the situation on security grounds. *‘This is a problem for what other countries will suffer today or tomorrow, if required steps is not taken now.’* Human rights and other NGO activists are more concerned about refugee’s rights and safety. *‘Girls are at high risk. The government, NGOs and everyone should come forward to ensure their safety and security.’* The chief of UNHCR also expressed his concern about forecasting the deteriorating situation.

“So, it is also a question of addressing this issue, not only for the Rohingya, not only for northern Rakhine, but for the entire region because if the situation is not resolved, the risk of the spread of terrorism and violence in the whole region...and this is a particularly fertile region...is very high.”

From the qualitative data analysis, all three components of the RD Theory have been observed among the refugees in the camp. The significance of the analysis is that although there is no clearly visible evidence, the situation may erupt at any time, as revealed by the respondents. Having explored the findings from qualitative research, quantitative data analysis then explains the hypotheses along with the theoretical framework. A different group of people, security personnel, in this case, responded to the questionnaire from different dimensions. The findings from the non-numerical analysis would be triangulated with the quantitative study in the next chapter.

4.5 Quantitative Analysis

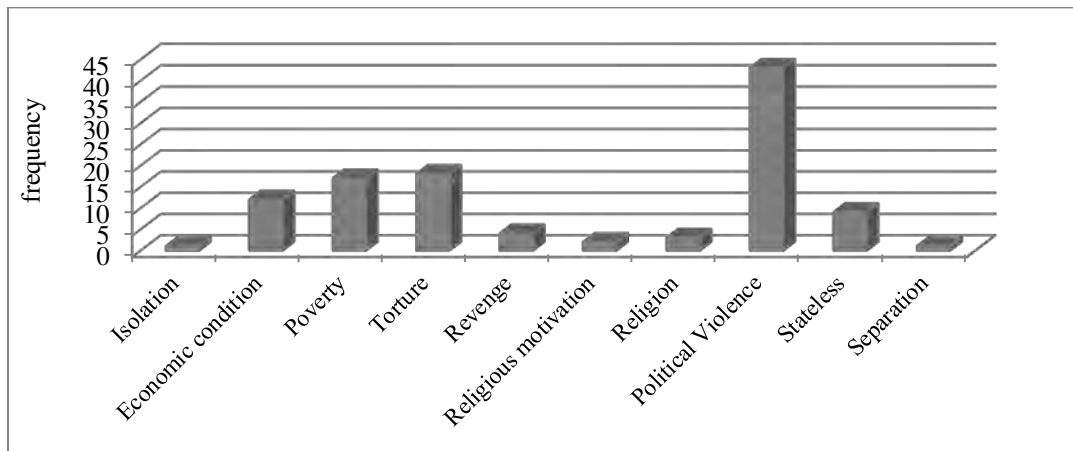
Relative Deprivation Theory has also been analyzed quantitatively for understanding the situation from a different side. Here, twenty-five factors have been identified and questionnaire was distributed to respective personnel. Their responses then were analyzed statistically and explained according to the components of the theory as follows:

4.5.1 [1] Cognitive Comparison

Factors to evaluate this component are - Reason behind radicalization, Application of Sharia law, Stance of Myanmar government, Radical discussion anywhere, and Relation with local people.

4.5.1.1 Reasons Behind Radicalization: It is evident from Figure 4.3 that isolation, economic condition, poverty, torture, revenge, religion, political violence, stateless condition are the reasons behind radicalization among Rohingyas. Bondokji et al. (2015) also identifies these external factors as the causes behind radicalization. Rohingyas compare them with other people. In Myanmar, they cannot go to the other parts to search for a job or livelihood. In the Rakhine state, they are almost in an isolated condition. Compared to others, they think that they are being separated. Furthermore, the same thing happens in Bangladesh too. There is a restriction for them to go outside the camp. Compared to others, they find themselves in economically poor status, in a state of poverty. They also undergo political violence and torture, which is not familiar to other citizens in Myanmar. Compared to other citizens of the country, they discover themselves in a stateless condition. All of these they compare with other people in Myanmar, which causes them to feel deprived.

Figure 4.3: What Are the Reasons Behind Radicalization



4.5.1.2 Application of Sharia Law: Table 4.3 shows that few of the Rohingyas consider that only Muslim Sharia law is legitimate and all other laws, such as democracy, military, and communism are forbidden according to Islam. This administration rule is a matter of what they compare with. When they think that as Muslims, they ought to obey this law but have not practiced that, they feel deprived.

Table 4.3: Factors in Five Points Agree Level (Measured in Percentage)

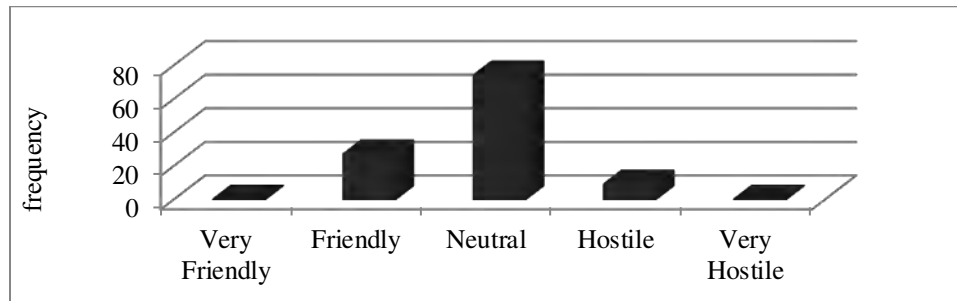
| Factors | Strongly Agree | Agree | No Comment | Disagree | Strongly Disagree |
|---|----------------|-------|------------|----------|-------------------|
| Political violence exhibits higher risk | 57 | 40 | 3 | 0 | 0 |
| Stand of Myanmar Government | 89 | 11 | 0 | 0 | 0 |
| Shariah law | 0 | 10 | 77 | 13 | 0 |
| Islami Khilafat | 0 | 7 | 74 | 10 | 9 |
| Supporting jihad | 0 | 0 | 0 | 8 | 92 |
| Supporting IS/ Al-Qaeda | 0 | 0 | 0 | 8 | 92 |
| General Education | 19 | 66 | 12 | 3 | 0 |
| Moderate religious education | 0 | 31 | 56 | 13 | 0 |

4.5.1.3 Stance of Myanmar Government: Table 4.3 shows, Rohingyas believe that the Myanmar government is against Muslims. In Myanmar most of the ethnicities are Buddhist. When patronization of religion is compared, Rohingyas feel that they are deprived.

4.5.1.4 Relation with Local People: Rohingyas always compare themselves with local people in Cox's Bazar outside the refugee camp. They can see that local people can enjoy the freedom of movement, rights, etc., whereas they are restricted from doing that. At

this point, their comparison also leads them to a sense of deprivation and sometimes they become hostile to local people and vice versa (Figure 4.4).

Figure 4.4: How Do Local People Behave With Them, Xenophobic or Friendly



4.5.2 [2] Disadvantaged or Deprived

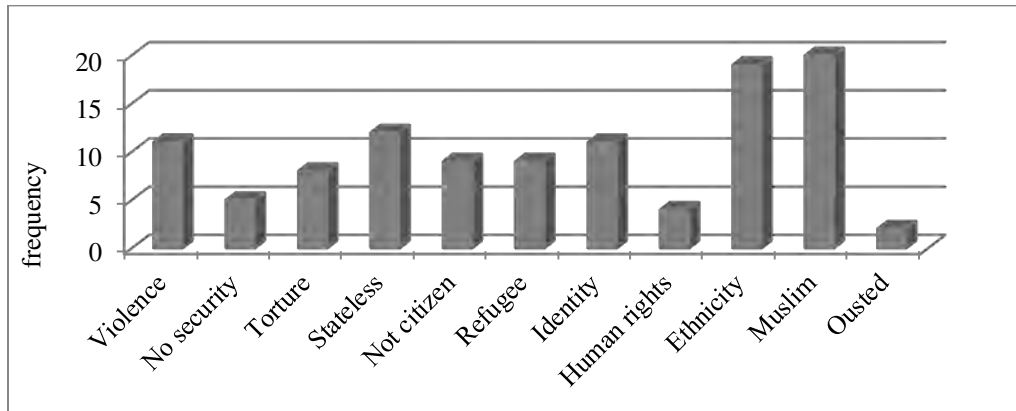
According to RD theory, out of those comparisons mentioned-above, Rohingyas think they are disadvantaged. Factors to evaluate this component: Rohingyas are deprived and most vulnerable group.

Table 4.4: Factors Answered by Yes/No Questions (Measured in Percentage)

| Factors | Yes | No | No Comment |
|---------------------------------|-----|----|------------|
| Radical behavior among youth | 11 | 89 | 0 |
| Radical discussion by Imam | 7 | 93 | 0 |
| Radical discussion at any place | 3 | 97 | 0 |
| Supicious activities by NGOs | 6 | 94 | 0 |
| Saudi people to spread salafism | 0 | 95 | 5 |
| Rohingyas are deprived | 95 | 3 | 2 |

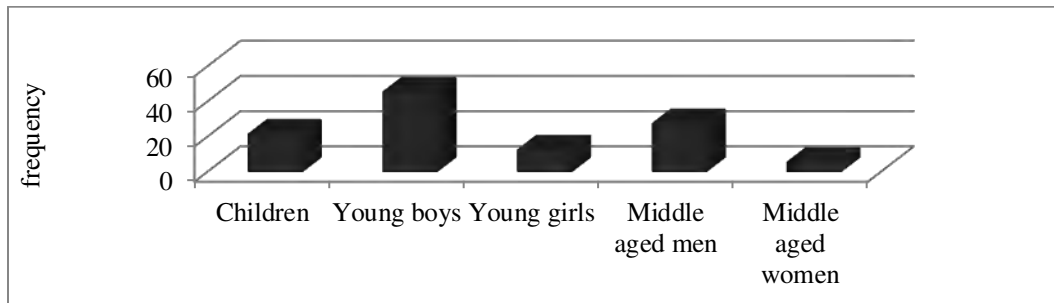
4.5.4.1 Rohingyas are Deprived: The data received from the questionnaire revealed at Table 4.4 that Rohingyas also consider themselves as a deprived community. There are various causes reported responsible for the deprivation. These include violence, torture, no security, stateless state, no citizenship status, treated as an outsider in Myanmar and refugee in other countries, lack of identity, violation of human rights, ethnicity, religion and experience of being ousted from their land. These factors are also identical to the findings of Schmid (2013).

Figure 4.5: Why Rohingyas Are Deprived



4.5.4.3 Most Vulnerable Group: Table 4.4 reveals that among the different age groups, people in the Rohingya community in refugee camps young men (15-24years) are reported as the most vulnerable group. Boys who belong to this group consider themselves very much disadvantaged and consequently, they become very much disappointed, which may lead them to radicalization. In the survey, middle aged men and young girls are also followed by (Table 4.4).

Figure 4.6: Who Are the Most Vulnerable Group Inside Refugee Camps?



4.5.5 [3] Resentment or Anger

Factors to evaluate this component are: Extremist group inside camps, Influence of ARSA, Material of radicalization, Political violence exhibit higher risk of radicalization, Supporting IS/ Al-Qaeda and jihad, Radical behavior among youth, Radical discussion by Imam, Resentment from deprivation.

4.5.5.1 Extremist Groups and Material of Radicalization: When security personnel were asked about the existence of extremist groups inside camps, they replied positively. Again when they were asked about any influence of ARSA in camps, they also replied in a similar way. However, when they were told that whether they have seen any material of radicalization inside refugee camps, none of them gave any assertive answer. It indicates that maybe there is no surface level radicalization in camps. But it is not surprising that this influence may infuse resentment.

4.5.5.2 Supporting IS/Al-Qaeda or Jihad: Concomitantly, security personnel also reported that there is no belief in IS or jihad among the mass refugees inside camps, as shown in Table 4.3. These people at this stage are neither concerned about any terrorist organization nor going on any crusade. They only consider their going back to their land. That is why, they may have a soft corner on ARSA, but there is no evidence about that. This question was asked because few of the refugees had been reported to have joined IS or Al-Qaeda from other countries. Out of the anger, it may anytime occur in the camps.

4.5.5.3 Political Violence Exhibit Higher Risk of Radicalization: Table 4.3 depicts that refugees consider political violence as the worst thing. Due to torture, arson, and injustice, a sense of resentment grows up. Consequently, this resentment may lead to radicalization.

4.5.4.4 Radical Behavior among Youth: Table 4.4 shows that most of the respondents (89%) said they did not observe any radical behavior among youth inside the camp. However, they think that very few youths (11%) are deviant and maybe prone to radicalization in the same cases. As they do not have any access to education, the deviation in behavior maybe an outcome. Table 4.5 suggests that both general education and moderate religious education would be helpful to solve the problem in the long run.

Table 4.5: Need of Police Patrols Inside and Periphery of Refugee Camps

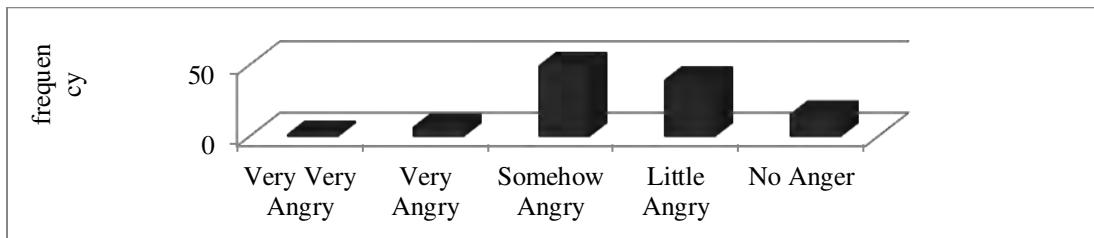
| To increase police patrol | (10-20)% | (21-40)% | (41-60)% | (61-80)% | (81-100)% |
|---------------------------|----------|----------|----------|----------|-----------|
| Inside the camps | 14 | 29 | 19 | 27 | 2 |
| Surrounding the camps | 4 | 8 | 61 | 17 | 10 |

4.5.4.5 Radical Discussion by Religious Leader: Similarly, almost all the respondents (93%) believe that religious leaders (Imam) are not seen to discuss anything about extremism inside or outside the mosque (Table 4.4). Nevertheless, these people have a

strong influence on the mass people who believe in religion. So, at any time, there is a chance of infusing the anger.

4.5.4.6 Resentment from Deprivation: Not surprisingly, half of the respondents reported that these refugee people are somehow angry due to the deprivation, as shown in Figure 4.7. There is also a significant amount of people who find themselves more deprived and are angrier, in fact. These people bear the risk of possible radicalization in that area.

Figure 4.7: Is There Any Resentment Among Rohingyas Out of This Deprivation?



It is apparent from the questionnaire data analysis that RD theory is applicable in the refugee context in Rohingya camps in Bangladesh. Finally, in the next part, the hypotheses will be tested quantitatively using the theoretical framework.

4.5.5 Hypothesis 1: Extrinsic Type of Variables Is Effective to Understand the Extent of Radicalization

The extrinsic factors revealed by the thrown questionnaire are -Political violence exhibit higher risk of radicalization, Supporting IS/ Al-Qaeda, Supporting jihad, Except Sharia law all other rules are forbidden, Stance of Myanmar government, Radical discussion by the religious leader, Suspicious activities by NGO and Spreading Salafism by Saudi NGO. It is evident that all of these are outside factors. These are pushed by the external atmosphere to the Rohingya community people. Bondokji et al. (2015) also described this phenomenon of external or pushed factors in refugee situations.

Table 4.6: Hypothesis 1: Extrinsic Type of Variables Is Effective to Understand the Extent of Radicalization

| Factors | Coefficients | Standard Error | t Stat | P-value |
|---|--------------|----------------|--------|---------|
| To increase police patrol inside the camp | | | | |
| Intercept | 2.08 | 1.46 | 1.42 | 0.159 |
| Political violence exhibits higher risk of radicalization | -0.33 | 0.14 | -2.40 | 0.018* |
| Supporting IS/ Al-Qaeda | 0.48 | 0.28 | 1.70 | 0.092* |
| Islami khilafat | -0.23 | 0.11 | -2.12 | 0.036* |
| Increase Police patrol surrounding the camp | -0.22 | 0.07 | -3.10 | 0.002* |
| Moderate religious education to reduce radicalization | 0.22 | 0.12 | 1.87 | 0.063** |
| To what extent do they support IS/ Al Qaeda | | | | |
| Intercept | 4.56 | 0.12 | 36.85 | 0.000 |
| Reason of deprivation | 0.01 | 0.01 | 1.66 | 0.099* |
| Increase Police patrol inside the camp | 0.07 | 0.03 | 2.27 | 0.025* |
| Except Shariah law all other rules are forbidden | | | | |
| Intercept | 3.99 | 0.90 | 4.43 | 0.000 |
| Supporting jihad | -0.32 | 0.16 | -2.06 | 0.041* |
| Radical behavior among youth | -0.39 | 0.14 | -2.83 | 0.005* |
| Islami khilafat | 0.12 | 0.06 | 2.00 | 0.048* |
| Increase Police patrol inside the camp | 0.10 | 0.05 | 2.09 | 0.038* |
| Most vulnerable group | 0.07 | 0.04 | 1.85 | 0.067** |
| Do they think that Myanmar government is against Muslims | | | | |
| Intercept | 1.52 | 0.35 | 4.40 | 0.000 |
| Radical discussion by religious leader | -0.17 | 0.11 | -1.59 | 0.114** |
| Reason of deprivation | 0.02 | 0.01 | 2.14 | 0.034* |
| Increase Police patrol surrounding the camp | 0.05 | 0.03 | 1.66 | 0.100** |
| General education to reduce radicalization | 0.10 | 0.04 | 2.33 | 0.021* |
| Moderate religious education to reduce radicalization | -0.08 | 0.04 | -1.72 | 0.087** |
| Is there any suspicious activities by NGO | | | | |
| Rohingyas are deprived | -0.23 | 0.07 | -3.20 | 0.001* |
| Saudi people donate and influence to spread Salafism. | | | | |
| Intercept | 2.33 | 0.17 | 13.48 | 0.000 |
| Radical discussion by religious leader | -0.23 | 0.08 | -2.84 | 0.005* |
| Moderate religious education to reduce radicalization | 0.06 | 0.03 | 1.81 | 0.073* |

* p value at 5%, ** p value at 10% confidence level

The respondents of the study said that due to the factors mentioned above, the people inside refugee camps are at risk of radicalization. That is why they want to increase the police patrol both inside and surrounding the camps, as shown in correlation Table 4.6. **Besides that, Table 4.5 clarifies that all the respondents agreed at one point that they want to increase police patrol inside and surrounding the camp; however, the level of agreement was different.** They know very well about the situation of the camp. As they have observed some anomalies in the behavior of the refugees, they may seek to ensure surveillance round the clock with more troops. Most probably, they want to prevent any untoward situation before it happens.

Few of the respondents stated that Rohingyas support jihad (Table 4.3). Nevertheless, this factor is correlated with the Sharia law because who support the Sharia law (Table 4.6) support jihad. As the Sharia law is not practiced either in Myanmar or in Bangladesh, a few more extremist-minded refugee people may support this law and jihad. Supporting Islami khilafat (Table 4.3) is also correlated in the same way with the Sharia law and jihad. A very few people may believe that they should establish Islami khilafat to regain their rights. However, the majority of the people are reported as neutral. Possibly, at this stage, they have

been suffering from their day-to-day life; nothing else is in their consideration now. Nevertheless, for the sake of all those beliefs, young boys who are reported most vulnerable group (Table 4.4) maybe extrinsically motivated to behave radically.

Rohingyas firmly believe that the Myanmar government is against them (Table 4.3). Among other factors in correlation Table 4.6, this is a primary one for which these people think they are deprived. Their religious leaders may invoke them toward extremism in discussing this deprivation issue. Moreover, there are some restrictions imposed by the Bangladesh government on Rohingyas, such as their movement is restricted outside the camp. They do not have any employment opportunities and other guidelines. As a consequence, they may also think that Bangladesh's government is against them. Out of these feelings, they may feel deprived compared to local citizens. This could also extrinsically motivate them to become prone to radicalization. To sort out the problem, the security personnel want to increase police patrol surrounding the camp. On the other hand, they also consider that general education and moderate religious education would help the refugees behave rationally.

Suspicious activities by few NGO workers are reported inside refugee camps. These people know well that Rohingyas are deprived (Figure 4.5). They try to motivate refugees, especially young boys, girls, and middle-aged men, about fundamentalism and possibly try to recruit them. As a consequence, in a few cases radical behavior is observed. That is why these factors are correlated. Specifically, few Saudi-led NGOs had been allegedly reported to spread Salafism inside camps. They may have tried to bias religious leaders of the mosque about fundamental idealism. Believers of Islam do follow Imam or religious leaders. They know that if religious leaders can be motivated, it would become easier to motivate mass people. Hence, radical discussion by religious leaders inside or outside the mosque is a very crucial factor. If those leaders could be taught with moderate religious education by scholars (Table 4.4), they could pass the message of peace of Islam to their follower people.

These push factors described above generate grievances and make refugees compare their situation with others. As Eleftheriadou (2020) examines that **relative deprivation** lies at the center of comparison. Grievances coupling with comparison set the broader opportunity and the objective conditions for the radical imperative. That is how extrinsic factors explain the RD theory.

4.5.6 Hypothesis 2: Deprivation Is the Main Reason Behind Radicalization

By throwing the questionnaire, respondents were being asked – Rohingyas are being deprived or not. This question in statistics correlates with factors such as Political violence, lack of identity, human rights violation, ethnicity, and other factors showed in Table 4.7.

Table 4.7 Hypothesis 2: Deprivation Is the Main Reason Behind Radicalization

| Factors | Coefficients | Standard Error | t Stat | P-value |
|---|--------------|----------------|--------|---------|
| Do you think Rohingyas are being deprived | | | | |
| Intercept | 2.08 | 1.46 | 1.42 | 0.159 |
| Political violence exhibits higher risk of radicalization | -0.33 | 0.14 | -2.40 | 0.018* |
| Supporting IS/ Al-Qaeda | 0.48 | 0.28 | 1.70 | 0.092** |
| Islami khilafat | -0.23 | 0.11 | -2.12 | 0.036* |
| Increase Police patrol surrounding the camp | -0.22 | 0.07 | -3.10 | 0.002** |
| Moderate religious education to reduce radicalization | 0.22 | 0.12 | 1.87 | 0.063* |
| If yes, why Rohingyas are being deprived | | | | |
| Intercept | -10.96 | 5.75 | -1.91 | 0.059 |
| Stand of Myanmar govt. | 2.17 | 0.87 | 2.49 | 0.014* |
| Deprived Rohingya | 1.57 | 0.93 | 1.68 | 0.096** |
| Increase Police patrol surrounding the camp | 0.55 | 0.26 | 2.15 | 0.034* |
| Most vulnerable group in the camp | 0.67 | 0.24 | 2.83 | 0.005* |
| Is there any resentment among Rohingyas out of this deprivation | | | | |
| Intercept | 3.91 | 0.44 | 8.94 | 0.000 |
| Reason behind deprivation | -0.05 | 0.03 | -1.78 | 0.077** |

* p value at 5%, ** p value at 10% confidence level

On a five-point Likert scale, around 57% of the respondents strongly agreed that political violence exhibits a higher risk of radicalization (Table 4.3). This factor depicts that there are reasons for being deprived and those reasons are responsible for a turning into radicalization. Another factor -Suspicious activities by NGOs is also correlated here. As they are deprived, it becomes easier for agencies to motivate them towards radicalization. Another critical factor is –Most vulnerable group in Rohingya refugee camps who consider themselves as more deprived and more prone to radicalization (Figure 4. 6).

The reason behind deprivation is correlated with other factors such as Deprived Rohingyas, Police patrol, and the most vulnerable group. The stance of the Myanmar government against Rohingyas has been reported in another question. Almost all the respondents mentioned about that adverse attitude (Table 4.3). Respondents know very well that youth are the most vulnerable group with an incredible feeling of deprivation and a definite risk of radicalization (Table 4.4). That is why they want to increase the police patrol surrounding the refugee camp (Table 4.5). Moreover, the factor - Resentment among

Rohingyas out of this deprivation is correlated with another factor –Reason of deprivation. Those reported reasons of deprivation also have attributing effect to radicalization (Figure 4.7, Figure 4.5). Deprivation is one of the three components of RD theory coined by Garr (1970). Statistical analysis reveals that many reasons of deprivation are present at camps, which may turn deprivation into radicalization.

4.5.7 Hypothesis 3: Young Men Are More Susceptible to Radicalization

Among the different age groups, people in the Rohingya community in refugee camps young men (15-24years) are reported as the most vulnerable group (Table 4.4). Boys who belong to this group consider themselves very disadvantaged and consequently, they become very much disappointed, which may lead them to radicalization. The other factors correlated with this hypothesis are shown in Table 4.8.

Table 4.8 Hypothesis 3: Young Men Are More Susceptible to Radicalization

| Factors | Coefficients | Standard Error | t Stat | P-value |
|--|--------------|----------------|--------|---------|
| Moderate religious education can reduce radicalization | | | | |
| Intercept | -0.51 | 1.33 | -0.38 | 0.702 |
| Radical discussion by religious leader | 0.46 | 0.24 | 1.97 | 0.051* |
| Saudi NGO to spread salafism | 0.46 | 0.27 | 1.72 | 0.088** |
| To increase Police patrol inside camp | 0.11 | 0.07 | 1.57 | 0.120** |
| Did you observe any radical behavior among youth in camp | | | | |
| Intercept | 0.62 | 0.48 | 1.28 | 0.203 |
| Shariah law | -0.18 | 0.06 | -2.99 | 0.003* |
| Radical discussion by religious leader | 0.22 | 0.11 | 2.02 | 0.045* |
| Radical discussion at anywhere | 0.34 | 0.17 | 1.97 | 0.051* |
| Suspicious activities by NGO | 0.37 | 0.11 | 3.29 | 0.001* |
| Do you think general education can reduce radicalization | | | | |
| Intercept | 0.47 | 0.40 | 1.17 | 0.244 |
| Political violence exhibits higher risk of radicalization | 0.19 | 0.11 | 1.80 | 0.075** |
| Stand of Myanmar Govt | 0.52 | 0.19 | 2.75 | 0.007* |
| Relation with local people outside the camp | 0.23 | 0.11 | 2.13 | 0.035* |
| Do you think moderate religious education can reduce radicalization | | | | |
| Intercept | 0.24 | 1.10 | 0.22 | 0.825 |
| Rohingyas are deprived | 0.84 | 0.37 | 2.24 | 0.026* |
| Reason of deprivation | 0.11 | 0.04 | 3.04 | 0.002* |

* p value at 5%, ** p value at 10% confidence level

Rohingyas consider themselves deprived (Table 4.4), but when the question is asked about youth, their feeling of being disadvantaged is much more profound (Table 4.4). There are various causes reported responsible for the deprivation as shown in Figure 4.5. These factors contribute to the youth being the most vulnerable group in the situation.

Young boys are the most vulnerable group because they consider themselves most deprived and can be provoked very easily (Figure 4.6). Any radical discussion by religious leaders inside or outside the mosque or discussion about supporting jihad to establish the Sharia law (Table 4.3) or this type of discussion by any people anywhere can influence them readily. Fundamentalist NGO activists can also brainwash them. These boys can be an easy target for recruitment by those workers and activists. Political violence exhibits a higher risk of radicalization (Table 4.3), affecting young boys and girls the most. If this is coupled with a sense that their government (Myanmar) does not support them at all (Table 4.3), it worsens the scenario. Besides that, day by day, their relation with the local people outside the camps becomes unfriendly (Figure 4.4), which also impacts young men. Realizing this correlation, respondents answered that general education could take them away from the problem.

On the other hand, moderate religious education could be used as a toolkit to stop biasing youth to radicalization (Table 4.4). Religious leaders inside the camp are not educated enough either in general education or in moderate religious education. The religious leaders, in this way, could preach the peaceful essence of the religion. By doing that, they could keep their youth free from provocation by any NGO activists or by anyone. This would, at the same time, stop the risk of the youth being recruited. Surprisingly, only 30% of respondents agreed on providing general education to refugee children and half of them preferred not to make any remark. Probably, they want refugee people to go back as soon as possible. In sharp contrast with general education, respondents agreed to provide moderate religious education to children. Perhaps, Muslim sentiment works as most of the respondents are Muslim. Again, they may consider it appropriate to stop religious fundamentalism by religious liberalism.

Aiello et al. (2018) explain that young males in a prolonged refugee situation become very much disappointed and consider themselves relatively more deprived, leading them to radicalization. Experiencing the surrounding factors, their anger may escalate into aggression. The sequence of their grievance mechanism follows relative deprivation. This chapter qualitatively analyzed RD theory and then statistically tested the hypotheses using this academic theoretical framework. The next chapter will discuss the findings derived from qualitative and quantitative analyses and will present the answer to the research questions.

CHAPTER 5: DISCUSSION

Chapter five presents and analyzes data and ends with significant findings generated from data. This chapter summarizes the study at the heart of which remains a discussion of the findings concerning the research questions and hypotheses expounded in chapter one. This study aims to determine the characteristics of radicalization among Rohingyas in refugee camps in Bangladesh. To understand the characteristics of radicalization, an academic theory -Relative Deprivation Theory is set in this context. The theory has three main components: [1] comparison, [2] deprivation, and [3] resentment. Both quantitatively and qualitatively, these components have been analyzed under considering several core factors.

5.1 Chapter Summary

The descriptive analysis of crime data clarifies the presence of contributing factors to radicalization in refugee camps. Then, qualitative data ferrets out that all three components of relative deprivation theory are associated with the contributing factors. Further, the findings from the qualitative data are verified by quantitative analysis. However, there are some factors which are not functioning in refugee camps yet. The main research question is to determine the characteristics of radicalization in the Rohingya refugee camps in Bangladesh. Discussion from data analysis finds that extrinsic type of factors are effective in understanding the characteristics of radicalization, deprivation is the driving force behind radicalization and young males are most susceptible to radicalization in Rohingya refugee camps in Bangladesh. However, there is no evidence of bulk radicalization yet in the camps.

Crime data analysis in Table 4.2 reveals that from August 2017 to August 2020, 471 criminal cases have been filed in two police stations adjacent to Rohingya refugee camps where 1088 Rohingyas have been accused. Evidence is found that the crime rate is even higher in grave natures of crimes such as arms, narcotics, and murder. Figure 4.2 shows that since Rohingyas' arrival, arms related crimes increased by three times compared to previous years. In the same period narcotics and homicide crimes surged by more than twice. The findings from the crime data analysis are consistent with the study by Schmid (2013). He finds that among other issues, the presence of these three crimes – arms, narcotics, and killings in any turbulent condition are treated as the causes of terrorism and radicalization.

5.2 Findings From Qualitative Data Analysis

Qualitative data analysis confirms that all three components of relative deprivation theory are present in the Rohingya refugee camps. The findings derived from the analysis are discussed in the following section.

5.2. [1] Cognitive Comparison

Rohingyas compare their present situation on various grounds with other people. This is the first step of their situation analysis. Isolation, economic condition, poverty, torture, revenge, religion, political violence, and stateless condition are the reasons behind radicalization among Rohingyas. These external factors are also verified by Schmid (2013). In Myanmar, they cannot go to other places to search for a job or livelihood. In the Rakhine state, they live in an isolated condition. Folger (1987) argued that indignity might provoke the aggrieved people to commit violence. Compared to others, they think that they are being separated. Compared to other citizens of the country, they discover themselves in a stateless condition. They also undergo political violence and torture, which is not familiar to other citizens. As stated by Bondokji et al. (2015) that political violence escalates the risk of radicalization. Furthermore, refugees in Bangladesh are isolated too. There is a restriction for them to go outside the camps. These are the push factors that make them compare with other people and which cause them to feel deprived.

Rohingyas' ethnicity is different from the other group of people in Myanmar. They call themselves –Rohingya. Myanmar government calls them people who migrated from outside. Moreover, Rohingyas believe that the Myanmar government is against Muslims. Therefore, both about religion and ethnicity, Rohingyas compare themselves with the majority groups and then discover themselves as alienated or separated. The interview data findings show that in Rakhine state, Rohingyas are not allowed to perform their religious cultures openly. There is no religious group that they can be connected to. The government somehow forbids the right to assembly for religious purposes. Rohingyas compare this situation with other people who can perform their religious activities. There are specific problems that local religious leaders of the community usually solve. However, in the Rakhine state, a void is created in this field. Taking this opportunity, extremist groups may find a way to intervene there. This finding is consistent with the recent study by Hossain

(2019) which argued that in prolonged situation refugees becomes the target of recruitment. Although they worked separately, Abuja (2019) verified Hossain by commenting that Rohingya refugees were drawn attention by international terrorist groups.

Each of the refugee respondents opined in harmony that Myanmar Army is against these people. Rohingyas stated that army and some other religious leaders treat them as an enemy. So, it is observed that Rohingyas compare their government's stance with others inside the same country. Qualitative data highlights that political marginalization is the cause of deprivation. This finding is consistent with a recent study by Fair et al. (2018). Rohingyas believe that the origin of all other problems lies here.

In Rakhine state, houses were raided and torched by security forces. The International Court of Justice also told Myanmar to preserve the evidence of the alleged genocide (International Court of Justice, 2020). In the interview session, refugees said that their group is so lucky that they fled to Bangladesh before the arson. Rohingyas compare and observe that no other homes but only theirs were torched with fire from long ago. They think that Buddhist leaders treat them as an enemy. Further, it is revealed from the interview findings that Rohingyas also compare the attitude of other religious groups to them.

Rohingyas always compare themselves with local people in Cox's Bazar outside the refugee camps. They can see that local people can enjoy the freedom of movement, rights, etc., whereas they are restricted from doing so. At this point, their comparison also leads them to a sense of deprivation and sometimes they become hostile to local people and vice versa. This finding is supported by Milner (2009), who stated that comparison with local inhabitants maybe transformed into tension and clashes.

5.2. [2] Disadvantaged or Deprived

As per the RD theory, based on those comparisons mentioned above, Rohingyas think they are disadvantaged. The people who lost their loved ones due to the atrocity feel deprived. Again, respondents stated that they feel deprived as they do not have any human rights and citizenship status. Noticeably, one of them used the word '*fight*,' indicating a portion of Rohingyas believe in armed movement. Gunaratne argued that the feelings of deprivation make the refugee people easy prey to the extremist recruiters (Khan, 2019).

Most of the refugee respondents said they fled to Bangladesh before the torture started by the Myanmar army. However, they also stated that their fathers and relatives had been tortured at different times. Mainly, Rohingyas work in Rakhine as farmers and they used to grow agricultural products. Due to this atrocity, now they cannot go back to their land. They were not allowed to apply for any other job or business inside their province or other parts of Myanmar. This lack of opportunity made them very disadvantaged and deprived as well. The findings from interviews with NGO workers and security personnel reveal that Rohingyas want to take revenge, but they do not have that strength. It indicates clearly that due to this disadvantaged situation, a sense of revenge taking reaction has been developed among refugees, but this does not confirm any depiction of radicalization.

Possibly the deprived people cannot show much resilience to day-to-day issues occurring around them (Milner, 2009). Out of the deprivation, they may engage in fighting very often. The concerning internal affairs agencies are worried that their desperation could lead them to join terrorist groups. They are also worried about the risk of international terror organizations recruiting refugees. Facing this question - Abnormal behavior by youth in the camps, refugee respondents replied that there is nothing about that. However, the security personnel and NGO workers stated that there are reasons to be concerned. Fighting inside the camp occurs every day, but refugees do not see this as a problem. However, experts say that it could be the beginning of possible massive violence (Diamond, 2009; Schmid, 2013). Borum (2011) investigated that this violence could lead the situation to radicalization.

Among the different age groups, people in the Rohingya community in the refugee camp, young men (15-24 years), are reported as the most vulnerable group. Boys who belong to this group consider themselves very much disadvantaged, and consequently, they become very much disappointed; Eleftheriadou (2020) investigated that disappointment may lead them to radicalization. In the survey, middle-aged men and young girls are also followed. People in their adolescent period become sensitive about issues of their surroundings (Weine & Ahmed, 2012). All these obstacles put psychological pressure on them and they deprived. Rohingya parents are worried about the future of their offspring. Rohingyas understand very well that general education is crucial to living their life. On this point, NGO workers stated that there is no formal permission from the Bangladesh government to provide education to

refugee children. Hence, this is an essential issue from which these people are being deprived right now. Hence, findings from data analysis confirm that deprivation is the main reason behind radicalization in Rohingya refugee camps in Bangladesh.

5.2. [3] Resentment or Anger

According to the RD theory, all those deprivation factors will grow resentment among the aggrieved people (Gurr, 1970). The Rohingya refugee people are the victims of the situation indeed. Due to the political stance of Myanmar coupled with ethnicity, they are being suffered. Data analysis discovered that many people find themselves deprived and are angrier. A sense of anger aroused among Rohingyas out of this deprivation. These people bear the risk of possible radicalization in camps area. Research by Smith and Pettigrew (2015) is consistent here as they find that everyone is at risk of the possible burst out of the resentment invoked from the prolonged refugee situation.

When the question about the existence of extremist groups inside the camp was asked, Rohingyas were staring at each others' faces. Taking time, then one of them replied very silently that they heard about dacoit groups but did not see them. Nevertheless, Rohingyas mentioned to other agencies and NGOs about the disturbance created by these groups. However, maybe they did not find it comfortable to express their opinion to the unknown interviewer. Not surprisingly, out of their resentment, a risk always persists of this connection. Based on the responses, it can be assumed that taking advantage of permeable border area ARSA or other militant groups may have trespassed to and away from the camp (Bashar, 2019). Using the resented sentiment of the refugees, they may try to recruit them as well. The officer in charge of the camp reported that there are many armed groups between the two countries' borders. The home affairs personnel of the country also chorused in a similar way when they were asked if Bangladesh had any evidence of that occurring. Maybe there is no surface level radicalization in the camp. However, it is not surprising that this influence may infuse resentment.

This is a worst case scenario that children in their mind-setup hold an attitude of taking revenge (Rashid, 2019). Bhattacharjee (2017) investigated this as a clear symptom of radicalization, which is unknowingly invoked among them. International Crisis Group (2019) warned that children might get attracted to terrorism in a prolonged refugee situation. Hence,

data analysis provides ample evidence that youth are the most vulnerable groups in the Rohingya camps in Bangladesh. And it is transparent that all the concerned agencies and responsible people are well aware of the possible threat of the situation. Although there is no significant symptom to report, anytime the tip of the iceberg type situation may reveal.

Qualitative data analysis shows that all three components of the RD Theory have been observed among the refugees in the camp. The theory clearly explains the research questions as well. Besides the above-mentioned factors proven in the refugee camps, some other factors had not yet been proven and would be discussed at the end of this chapter.

5.3 Findings From Quantitative Data Analysis

The following part is the scope to find out the answer to the research questions statistically using the theoretical framework. The statistical analysis encompasses the research to look into the refugee radicalization problem from a different set of arrangement.

5.3.1 Research Question 1: What Type of Parameters is Effective In Understanding the Extent of Radicalization in Rohingya Community in Refugee Camps in Bangladesh

Factors are being pushed by the external environment to the Rohingya community people, as shown in correlation table for Hypotheses-1 in the data analysis chapter (Table 4.6). Some of the factors are - political violence, supporting jihad, Sharia law, Stance of Myanmar government, Radical discussion by the religious leader, and suspicious activities by NGO. This phenomenon of external or pushed factors in refugee situations is also consistent with the research by Bondokji et al. (2015). Need for security patrol (Table 4.5) clarifies, all the respondents agreed at one point that they want to increase police patrol inside and surrounding the camp; however, the level of agreement was different. They know very well about the situation of the camp. As they have observed some anomalies in the behavior of the refugees, they may seek to ensure surveillance round the clock with more troops. Most probably, they want to prevent any untoward situation before it happens.

Few of the respondents stated that Rohingyas support jihad (Table 4.3). Nevertheless, this factor is correlated with the Sharia law because those who support the Sharia law (Table 4.6) support jihad and support Islami khilafat as well (Table 4.3). A possible explanation from the correlation Table 4.6 is that as the Sharia law is not practiced either in Myanmar or

in Bangladesh; a few more extremist-minded refugee people may support this law and jihad. A very few people may believe that they should establish Islami khilafat to regain their rights. However, the majority of the people are reported as neutral. Possibly, at this stage, they have been suffering from their day-to-day life; nothing else is in their consideration now. Nevertheless, for the sake of all those beliefs, young boys who are reported most vulnerable group (Table 4.4) maybe extrinsically motivated to behave radically.

Rohingyas firmly believe that the Myanmar government is against them (Table 4.3). Among other factors in correlation Table 4.6, this is a primary one for which these people think they are being deprived. Their religious leaders may invoke them toward extremism about discussing this deprivation issue. As there is restriction of outside movement from the camps, Rohingyas may also think that Bangladesh's government is against them. Out of these feelings, they may feel deprived compared to local citizens. This could also extrinsically motivate them to become prone to radicalization. This finding has consistency with Milner (2009), who argued that prolonged refugee situations with local people might result in tension and clashes. To sort out the problem, the security personnel want to increase police patrol surrounding the camp. On the other hand, they also consider that general education and moderate religious education would help the refugees behave rationally.

Suspicious activities by few NGO workers have been reported inside refugee camps. These people know very well that Rohingyas are deprived (Figure 4.5). They try to motivate refugees, especially young boys, girls, and middle-aged men, about fundamentalism and possibly try to recruit them. As a consequence, in a few cases radical behavior is observed. That is why these factors are correlated. Radical discussion by religious leaders inside or outside the mosque is a very crucial factor. If Imams and Majhis (religious leader – local leader) could be taught with moderate religious education by scholars (Table 4.4), they could pass the message of peace of Islam to their follower people.

These extrinsic type of factors described above generate grievances and make refugees compare their situation with others. As Eleftheriadou (2020) examines that **relative deprivation** lies at the center of comparison. Grievances coupling with comparison set the broader opportunity and the objective conditions for the radical imperative. That is how extrinsic factors explain the RD theory.

5.3.2 Research Question 2: What Is the Driving Force Behind Radicalization

There are several factors correlated with the question – Rohingyas are deprived or not (Correlation for Hypothesis-2, Table 4.7). A five-point Likert scale, shown in Table 4.3, explains that refugees strongly agreed that political violence exhibits higher risk of radicalization. The finding from this correlation is coherent with Bondokji et al. (2015), who argued that origin of all problems lies with political violence. Due to the torture, raid, arson, and injustice, a sense of resentment grows up among refugees. This factor depicts that there are reasons for being deprived and those reasons are responsible for a possible turn into radicalization. Another factor (Suspicious activities by NGOs) is also correlated here. As they are being deprived, it becomes easier for agencies to motivate Rohingyas towards radicalization. Another critical factor is –Most vulnerable group Rohingya refugee camps (Figure 4.6) who consider themselves as more deprived and thus more prone to radicalization.

The stance of the Myanmar government is correlated with the factor –reason behind deprivation. Likert scale (Table 4.3) demonstrates about that adverse attitude of Myanmar army to Rohingyas. This is one of the contributing factors of being deprived and thus turning into probable radicalization. Moreover, the factor - Resentment among Rohingyas out of this deprivation is correlated with reason of deprivation. Those reported reasons of deprivation also have attributing effect to radicalization (Figure 4.7, Figure 4.5). Statistical analysis reveals that many reasons of deprivation are present in the refugee camps which may turn this deprivation into radicalization. Deprivation is one of the three components of RD theory by Garr (1970). And correlation for Hypothesis-2 (Table 4.7) provides evidence that deprivation is the main driving force behind radicalization in Rohingya refugee camps in Bangladesh.

5.3.3 Research Question 3: Which Age Group Is More Susceptible to Radicalization

Factors answered against closed questions (Table 4.4) makes it evident that among the different age groups people in the Rohingya community in the refugee camps, young men (15-24years) are the most vulnerable group. Findings from correlation for Hypothesis-3 (Table 4.8) are also consistent with Schmid (2013), who stated that youth are the vulnerable group. Boys who belong to this group consider themselves very disadvantaged and consequently, they become very much disappointed, which may lead them to radicalization. Weine and Ahmed (2012) connected the outer conditions of a refugee situation with

adolescents' psychological pressure. Rohingyas consider themselves as deprived, but when the question is asked about youth, their feeling of being disadvantaged is more profound.

Young boys are the most vulnerable group because they consider themselves most deprived and can be provoked very easily (Figure 4.6). Aiello et al. (2018) explains that young males in a prolonged refugee situation become very much disappointed and consider themselves relatively more deprived; which may lead them to radicalization. Experiencing the surrounding factors, their anger may escalate into aggression. The sequence of their grievance mechanism follows relative deprivation. Any radical discussion by religious leaders inside or outside the mosque or discussion about supporting jihad to establish the Sharia law (Likert scale Table 4.3) or this type of discussion by any people anywhere can influence them readily. Fundamentalist NGO activists can also brainwash them. These boys can be an easy target for recruitment by those workers and activists.

Likert scale (Table 4.3) indicates that political violence affects young boys and girls most. If this is coupled with a sense that their government (Myanmar) does not support them at all, it worsens the scenario. Besides that, day by day, their relationship with the local people outside the camps becomes unfriendly (Factor: Xenophobia, Figure 4.4), which also impacts young men. Realizing this correlation, respondents answered that general formal education could be a way to take them away from the problem. Hence, relative deprivation theory statistically proves that among different age groups people, young men in the Rohingya refugee camps are more susceptible to radicalization.

Thus findings from qualitative data are triangulated with quantitative data analysis using the academic theoretical framework. The factors which have not been observed in Refugee camps are discussed below.

There are some positive aspects that these refugees have not been involved in so far. There is no evidence or statement in support of receiving any leaflet or materials regarding jihad. Half of the respondent refugees hate these names of IS/Al-Qaeda while others remain silent. This is a relief to security personnel that a negative attitude toward IS/ Al-Qaeda is present among the refugees in camps. No intention to go to jihad has been observed from the interviews; refugees only want to go back to their land. Security personnel did not observe

any radical discussion by anyone anywhere. Maybe they are thinking about the different paths of achieving their rights because their level of resentment varies. It means that out of their resentment, they intend to revolt, but they are incapable of doing so. Although there is no clearly visible evidence, the intelligence predicts that the situation may erupt at any time.

It is alarming that few of the refugees have been traveling to Syria due to invoking resentment from other parts of the world (Bashar, 2017d). However, it is evident from Rohingyas' response that no one from the Bangladesh refugee camp went to Syria or IS. At the same time, there is no report of anyone coming back from Syria/ IS to the camps. Security personnel did not find any indication of this allegation either. There is no report of any radical discussion by anyone anywhere. Refugees' response reveals that they do not feel any responsibility of establishing the Muslim ummah; this is not their concern. In the future, refugees want to go back to their land as soon as possible because no one can be happy to live a measurable life in a foreign country as a refugee.

It is apparent that there is very little radical behavior among youth inside the camps. Security personnel suspect that very few youths are deviant and maybe prone to radicalization in the same cases. It is also reported that religious leaders (Imam) are not seen discussing extremism inside or outside the mosque. Nevertheless, these people have a strong influence on the mass people who believe in religion. So, at any time, there is a chance of infusing the anger. Salafism is a type of fundamentalist approach of Islam mainly practiced in the Arab region. It is apparent that now at the camp, there is no such activity of spreading Salafism. However, it is easy to bias the deprived people to any fundamental idealism taking advantage of the situation. Although reported in earlier times, the Bangladesh government monitored the activities and banned a few NGOs from operating their activities inside the camp; now, there is no allegation of suspicious activities by NGOs.

The literature review indicated the presence of the above mentioned factors in different refugee conditions. However, so far, no evidence is found to support the existence of these factors in Rohingya refugee camps in Bangladesh. The next, as well as the final chapter draws the conclusion of the research. The chapter also indicates further studies and recommends policy implications along with answering the research questions.

CHAPTER 6: CONCLUSION

This final chapter summarizes the discussion, identifies some limitations of the study, discusses the directions for further research, and ends with policy recommendations in brief. The study's objectives are to identify the typical characteristics of radicalization and to identify the target population who are susceptible to radicalization in the Rohingya refugee camps to ensure the national security of Bangladesh.

6.1 Key Features

Bangladesh is facing a new type of problem from the refugees hosted at its southern border. This refugee flow set off the question of refugee terrorism in Bangladesh. The Rohingya crisis may destabilize the eastern part of the country, and possibly create a threat for the South-Asian region. It is evident that in a prolonged refugee situation extremism proliferates with other problems. Assessing the threat beforehand is crucial because radicalization is very challenging to control if it starts once. The research questions for this study are -What type of parameters is effective in understanding the extent of radicalization in Rohingya community in refugee camps in Bangladesh? What is the driving force behind radicalization? And which age group is more susceptible to radicalization?

The study analyzes the characteristics of radicalization among the Rohingya refugees using the theoretical framework –Relative Deprivation Theory. All the three components of the theory (comparison, deprivation, and grievance) are connected with Rohingya radicalization issue. This is a mixed method study where qualitative data is resourced by interviews from the Rohingya refugees and quantitative data has been collected by providing questionnaires to the security personnel working at refugee camps. The study finds that extrinsic or push factors by the external environment are effective in understanding the extent of radicalization. Deprivation is the main driving force behind radicalization. And it is found that young men are more susceptible to radicalization. Most importantly, so far in refugee camps, there is no significant evidence of bulk radicalization.

6.2 Summary Key Findings

The study finds that **extrinsic or push factors by the external environment are effective in understanding the extent of radicalization**. Push factors such as political violence, patronization by extremist groups, policies of governments of host or country of origin, religion, and spreading fundamentalism are responsible for radicalization. These external factors generate grievances and make refugees compare their situation with others. Grievances coupled with comparison, set the broader opportunity and the objective conditions for the radical imperative. That is how extrinsic type of factors explains RD theory.

This study finds that **deprivation is the main driving force behind radicalization**. The contexts where refugees live lead them to develop an awareness of their disadvantaged situation through comparison. The reason behind this disadvantage or deprivation is reported as mainly their stateless condition, no citizenship status, treated as an outsider in Myanmar and refugees in other countries, lack of identity, human rights violation, political violence, ethnicity, and experience of being ousted. Deprivation is one of the three components of RD theory and the theory demonstrates that people who feel deprived often lead to aggression with resentment or anger.

Young men are more susceptible to radicalization because they consider themselves most deprived and can be provoked very easily. Any radical discussion by religious leaders in the camps or discussion about supporting jihad to establish the Sharia law can influence them readily. Fundamentalist NGO activists can also brainwash them. These boys can be an easy target for recruitment by those workers and activists. Data analysis using relative deprivation theory reveals that young people in their adolescent period become very sensitive about issues of their surroundings consider themselves very much disadvantaged. They are least likely to display resilience in their situations. They become resentful, which may lead them to radicalization. Consequently, the situation of the camps may force them to involve into violence and different forms of extremism.

The research findings clarifies that there is **no evidence of bulk radicalization yet in refugee camps in Bangladesh**. However, data analysis verified that the **potential of radicalization is huge** because there are many factors that contribute to radicalization. This

is a highly **critical time** to address the issue as the **threat level may escalate if the refugee situation is prolonged**.

6.3 Significance of the Study

The radicalization issue in Rohingya camps is unique because of **forced migration** and **identity crisis**. Although refugee radicalization in other countries has been researched and in Bangladesh, practitioners have been dealing with this issue, there has been no academic study based on empirical data and theoretical framework. As the mass influx of Rohingyas happened only in Bangladesh, radicalization among the Rohingya refugees is a unique problem that Bangladesh is to face on a large scale. This research has perfectly identified the radicalization issue at the right time. This study will have an **immense contribution to the national security policy of Bangladesh** in the field of Rohingya refugee radicalization.

6.4 Limitations

Although the research will contribute to better understanding the stage of radicalization in the refugee camps, it has some limitations such as sample size, acquiring respondents' trust, time allocation, and paucity of relevant academic studies. Joint research with a team of researchers from different backgrounds such as academicians, practitioners, social researchers, NGO activists, humanitarian agencies, volunteer researchers, and security analysts could have conducted more comprehensive research.

At first, it was difficult to gain the trust of refugee respondents. On the ethical ground, the researcher had to reveal his identity. Maybe due to that reason, they did not feel comfortable talking about radicalization or security issues with police. Sometimes, the interviewees were not very much open to answering some questions. It may have happened due to the language barrier. It was not easy to make them understand some questions. The language assistant was also a policeman who worked at Cox's Bazar for few years. Maybe they were afraid of talking about militant groups. Maybe they thought about their children's safety. For that reason, they did not like to give much information to the researcher.

The sample size was also limited. The researcher interviewed refugees and other activists from one camp only. There are thirteen refugee camps where about a million

refugees settled. Although the condition of all refugee camps is identical, it would be better if refugees from other camps could be interviewed. Again, the questionnaire was served to security personnel who were guided by service regulations and cannot express their opinion going out of it. Spending more time with refugees could have brought more information.

Neither refugees nor the term radicalization is a new phenomenon. Many pieces of research have been carried out earlier about refugees and radicalization in other parts of the world. However, there is no mentionable research work about refugee radicalization in Rohingya camps in Bangladesh. For this particular case, along with the research papers on the same issue in other parts of the globe, the researcher had to study mainly newspaper articles about this specific field.

6.5 Further Research

This is a very preliminary level of study about Rohingya refugee radicalization. If the situation is not being solved, it is assumed that the condition may deteriorate with time. Therefore, this is high time to conduct more study on this ground. Theories other than Relative Deprivation can also be tested here. This study could be further narrowed down, such as radicalization among special groups such as young boys, girls, and middle-aged men. As youth are more fragile, many researches can be conducted from different dimensions of radicalization. Local and international threats could also be studied separately. More studies could be conducted about policy recommendations to solve the problem.

6.6 Policy Implications

An honest statement from the researcher is that the present study did not aim to suggest policy recommendations. However, findings from in-depth interviews with the refugees, international agency officials and security personnel demonstrated some areas that left unaddressed and proposed some tentative policy implications to resolve the refugee situation. Therefore, the policy recommendations should be divided into short-term, mid-term, and long-term. Short term or immediate solutions may include more vigilance and close observations. Findings pointed out some worrying signs of potential of radicalization. Drug peddling and human trafficking are two issues needed to be resolved. A nexus of criminals is associated with these two unlawful businesses. Border Guard Bangladesh (BGB) may take stronger endeavor to combat these crimes. Data analysis from questionnaire survey to the

security personnel indicated that an increase of police patrol both inside and outside-periphery of the refugee camps round the clock may ensure better surveillance. In addition, one specialized unit under Bangladesh Police may be formed and deployed to keep the law and order situation under control in refugee camps. The host government and international parties may listen to their problem carefully. This active listening may neutralize refugees' grievances in some way. Besides that, international humanitarian agencies may also closely observe the situation together with local security agencies.

Mid-term solutions could be of many types, such as education and employment. Findings from data analysis revealed that general education and moderate religious education could be used as a toolkit to stop biasing youth to radicalization. Religious leaders inside the camps are not educated enough either in general education or in moderate religious education. The religious leaders, in this way, could preach the peaceful essence of the religion. By doing that, they could keep their youth free from provocation by any NGO activists or by anyone. This would, at the same time, stop the risk of the youth being recruited. Ensuring better living condition, access to health services, and employment opportunity may resolve the extremism problem. Further, vocational training, such as sewing, plumbing, and IT learning could be offered by NGOs to develop their skill. English language learning program may also be helpful. However, research should be conducted to verify these arguments.

Ultimately, a long-term solution is highly problematic in the present geopolitical climate. Of course, the long-term solution would be the peaceful repatriation of Rohingya refugees to their land in northern Rakhine state, Myanmar. They could be taken back quickly as per the memorandum of understanding signed by Bangladesh and Myanmar (UNHCR, 2018). The repatriation could be effective before the refugee situation becomes more difficult. The International Court of Justice may foster the indication of provisional measures (*The Gambia vs. Myanmar*) (International Court of Justice, 2020). United Nations may take necessary steps based on the Security Council resolution (UNSC, 2017).

The problem is, if not addressed properly, this refugee situation in the Rohingya camps in Bangladesh may lead to possible terrorism. It is observed from other refugee cases that various types of problems increase as the refugee settlement is prolonged. As a result, refugees become the perfect targets of the manipulators such as extremists. In Bangladesh,

radicalization among Rohingyas may possess severe consequences to the national stability of the country. However, a very little study has been conducted so far, particularly in this radicalization issue among Rohingyas in refugee camps in Bangladesh. Hence, this study is crucial because it is a crying need to find out the reasons of radicalization which turns refugees into violence and / or terrorism.

In conclusion, the Rohingya refugees are the victims of the situation. The situations also force them to compare their status with others; out of this comparison, they feel disadvantaged or deprived, this deprivation leads them to invoke resentment. All of the three components of the Relative Deprivation theory are present in the Rohingya refugee camps, Cox's Bazar, Bangladesh. The combination of the components results in radicalization, which could erupt as terrorism or any other form of violence. So far, the refugee people have been affected or motivated by extrinsic reasons only. Young men are the most vulnerable group, least likely to display resilience in their situation. It is only a matter of time before intrinsic factors become apparent. So far in the refugee camp, there is no significant evidence of bulk radicalization. Needless to say, if it continues and if there is no sustainable solution to the problem, it may bring political disaster in the arena. Radicalization or terrorism is such an element that if it breaks out at any place, not only the concerned countries are affected, but all the states may have to suffer in the long run.

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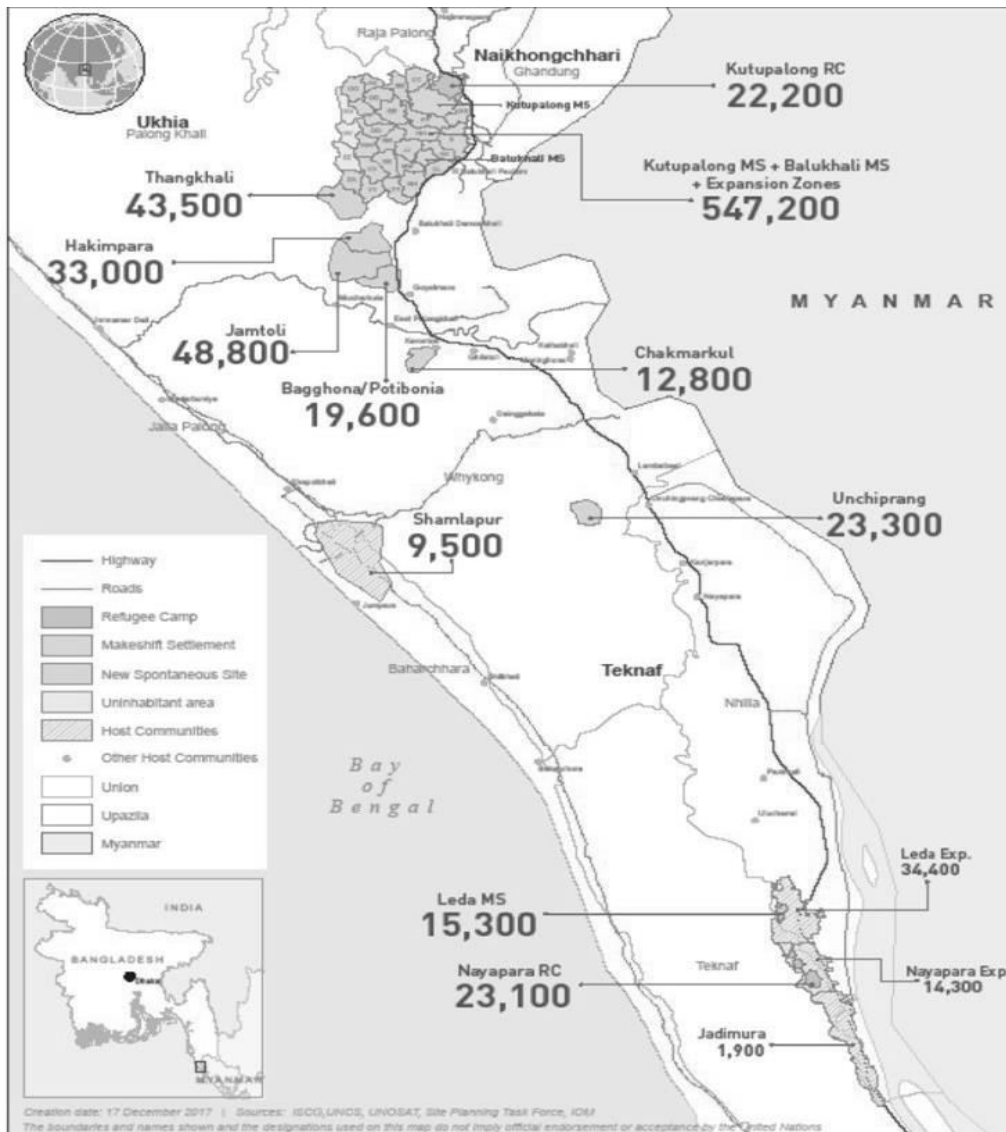
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APPENDICES

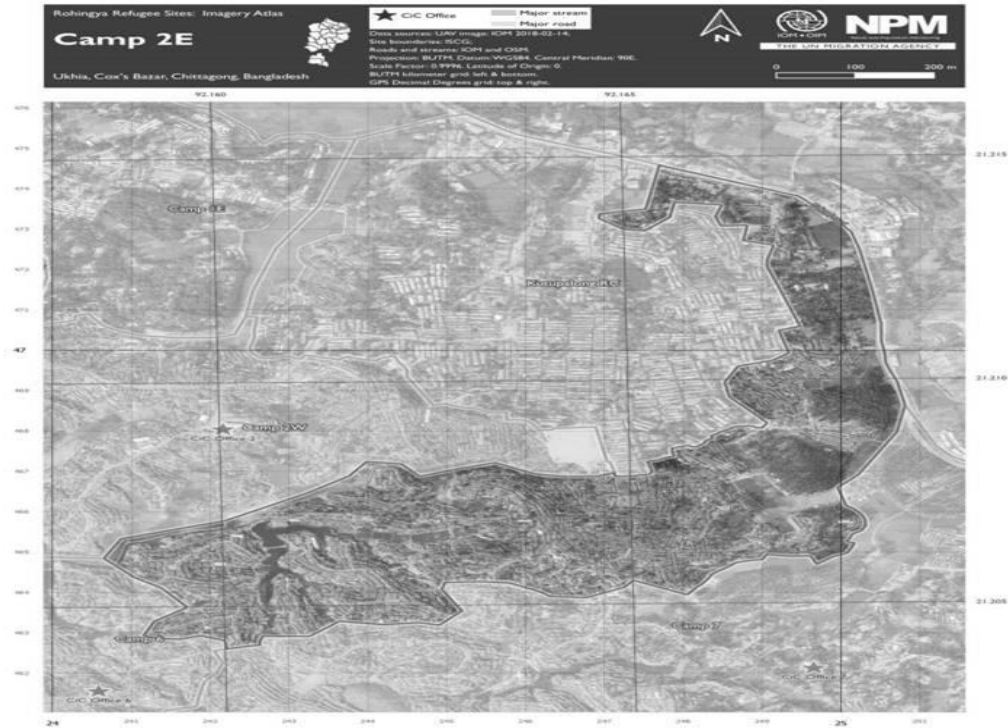
Appendix A:

Figure 1: Map of Ukhia Upazilla (Sub-district), Cox’s Bazar Showing the Location and Population of Rohingya Refugee Camps



Source: Inter Sector Coordination Group, 2017.

Figure 2: Map Showing the Location of Rohingya Camp, Camp 2E From Where Data Is Collected



Source: IOM, 2018.

Figure 3: Data Collection Site, Camp 2E, Inani Pahar, Ukhiya, Cox's Bazar



Source: Author.

Appendix B: Interview Question Sheet to Refugees (Translated)

Interview Question Sheet

The purpose of this study is to complete academic thesis at MS level for the Graduate School of Governance Studies, Public Policy Programme, Meiji University. The field of the research is the Rohingya refugee camp at Cox's Bazar, Bangladesh. The main research question is to find the characteristics of the probable radicalization of the refugee people. The interviewees are Rohingya refugee people, local and International NGOs working at refugee camps, security personnel and other government officials working at camps. (The demographic questions are

Name:

Gender: Age:

Marital status: Children:

1. Had the house been raided or torched by security forces?
2. Have you been lost any of your family members?
3. Did you lose your job due to your identity?
4. Had the mosque been raided by security forces?
5. Which Islamic idealism you follow?
-wahabism/ salafism/ sufism/ any other
6. Have you been detached from your loved one due to the situation?
7. Did you ever observe ethnical violence?
8. Do you think you are being deprived?
9. If yes, then why?
10. Is there any resentment out of this deprivation?
11. If yes, then what do you want to do?
12. Was there any religious group in Rakhine you were connected to
13. Do they come to recruit you?
14. Have you ever been arrested by Police?
15. Were you in any jail before coming here?
16. If yes, then why?
17. How long have you been there?
18. Did you meet any terrorist there?
19. Did they try to motivate you?
20. Did anybody go to jihad in Syria/IS from Rakhine?
21. Is here anybody you know came back from Syria/ IS?
22. What are the reasons behind radicalization?
-Isolation/ economic condition/ poverty/ revenge/ motivation/ religion/ other.
23. Is there any extremist group inside the camp?
24. Is there any influence of ARSA inside the camp?
25. Did you see any material of radicalization?
26. Did you ever receive any leaflets or materials regarding jihad?
27. Political violence exhibit higher risk of radicalization. Your comment:
28. Do you think that Myanmar government is against muslims?
29. Do you think about Bangladesh government and Islam?
30. What do you think about Bangladesh government about you?

31. How do local people behave with you, xenophobic or friendly?
32. What will your children do when grow older?
33. Did you observe any radical behavior among youth in camp?
34. Is there any radical discussion by religious leader/ imam inside the mosque?
35. Is there any discussion by any people in school or any other place?
36. Is there any religious leader/ group who come to talk about jihad or hardline Islam?
37. Have you been tortured by Myanmar army?
38. To what extent do you support IS/ Al Qaeda?
39. Do you support jihad?
40. Do you want to go to jihad?
41. Do you think except shariah law all other rules are haram/ forbidden?
42. Is there any suspicious activity by NGO?
43. Saudi people are donating and influence to spread Salafism.
44. What do you think or support?
45. There is fighting inside camp. What do you think about this fighting?
46. Did anyone offer you money for joining any particular group?
47. Is there anyone in the camp exiled from Myanmar due to political or any other reason?
48. Do you believe in Islami Khilafat?
49. Do you think you have responsibility to establish Muslim ummah?
50. Do you think peripheral security is enough for you?
51. Do you think security inside the camp is adequate?
52. Do you want to increase police petrol surrounding the camp?
53. Do you want to increase police petrol inside the camp?
54. Who do you think is the most vulnerable group in the camp?
55. Do you think general education can reduce radicalization?
56. Do you think moderate religious education can reduce radicalization?
57. Any final comment:

Appendix C: Questionnaire Data Sheet Served to Security Personnel (Translated)

Questionnaire Data Sheet

The purpose of this study is to complete academic thesis at MS level for the Graduate School of Governance Studies, Public Policy Programme, Meiji University. The field of the research is the Rohingya refugee camp at Cox's Bazar, Bangladesh. The main research question is to find the characteristics of the probable radicalization of the refugee people. The questionnaire is developed to collect data from security personnel working in refugee camps. Participation of officials having working experience more than six months in refugee camps are appreciated (The demographic questions are optional to answer and this information will remain confidential).

Name:

Age: Gender:

Work Experience in refugee camps:

1. Is there any extremist group inside the camp? – yes/ no
2. Is there any influence of ARSA inside the camp? – yes/ no
3. Which Islamic idealism do they follow?
- wahabism/ salafism/ sufism/ any other
4. Did you see any material of radicalization? –yes/ no
5. What are the reasons behind radicalization? (√)
- Isolation/ economic condition/ poverty/ revenge/ motivation/ religion/ deprivation/other.
6. Political violence exhibit higher risk of radicalization.
-strongly agree/ agree/ no comment/ disagree/ strongly disagree
7. To what extent do they support IS/ Al Qaeda?
-very strong/ strong/ moderate/ very few/ not at all
8. Do they support jihad?
-very strongly/ strongly/ less strongly/ very few/ not at all
9. Do they think except shariah law all other rules are haram/ forbidden?
-strongly agree/ agree/ neutral/ disagree/ strongly disagree
10. Do they think that Mianmar govt is against muslims?
-strongly agree/ agree/ no comment/ disagree/ strongly disagree
11. Did you observe any radical behavior among youth in camp? –yes/ no
12. Is there any radical discussion by religious leader/ imam inside the mosque? –yes/ no
13. Is there any discussion by any people in school or any other place? –yes/ no
14. Is there any suspicious activities by NGO? –yes/ no
15. Saudi people are donating and influence to spread Salafism. –yes/ no
16. Do you think Rohingyas are being deprived?
-strongly agree/ agree/ no comment/ disagree/ strongly disagree
17. If yes, then why?
18. Is there any resentment among Rohingys out of this deprivation?
-very very angry/ very angry / somehow angry/ little angry/ no anger
19. How do local people behave with them, xenophobic or friendly?
-very hostile/ hostile/ neutral/ friendly/ very friendly
20. Do they believe in Islami Khilafat?
-very strongly / strongly/ neutral/ disagree/ strongly disagree
21. Do you want to increase police petrol surrounding the camp?
(0-20)% / (21-40)% / (41-60)% / (61-80)% / (81-100)%
22. Do you want to increase police petrol inside the camp?
(0-20)% / (21-40)% / (41-60)% / (61-80)% / (81-100)%
23. Who are the most vulnerable group inside the refugee camp?
- Children/ Young boys/ Young girls/ Young people/ Middle age men
24. Do you think general education can reduce radicalization?
-very strongly / strongly/ no comment/ disagree/ strongly disagree
25. Do you think moderate religious education can reduce radicalization?
-very strongly / strongly/ neutral/ disagree/ strongly disagree
26. Any other suggestions to curb radicalization: