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2. GLOBALIZED LEGAL RULES ON EXTRACTIVE INDUSTRY TRANSPARENCY: CAN MYANMAR AND THAILAND ESCAPE FROM THIS EMERGING TREND?
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ABSTRACT

The purpose of this research project is to develop frameworks that describe the information communication technology startup ecosystem in Northeastern Thailand. The current research is based on researcher field observations during a 6-month project in Thailand and fifteen in-depth interviews. The interviews were collected from Thai and foreign teachers, professors and professionals. The categories that emerged from the data revealed several constraints for younger Thai to enter in new markets such as ICT businesses. Recommendations from the findings suggest further research that examines potential methods or projects to develop a better understanding of how to promote and support young Thai ICT entrepreneurs.
INTRODUCTION

In the past decade, the US higher education has emphasized a curriculum that develops business creation skills in STEM (Science, Technology, Engineering and Math) fields. This trend results from intense economic growth arising from information and communication technology (ICT) startup businesses such as achieved by Google and Facebook. Interest in ICT startup business has been propelled by stories of young entrepreneurs who in just a matter of a few years, have hired thousands of employees and generate billions of dollars in annual income.

Young entrepreneurs in many other countries, including Thailand, have noticed this trend. The Thai government has created programs to improve start-up business and leading research universities have stepped up efforts to commercialize their intellectual properties. While these efforts are underway, only four percent of Thai startup companies are entering ICT markets such as online services or venues (National Statistics Office, 2015).

The current study was undertaken when the first author of this research was a Fulbright scholar in Northeastern Thailand. The data was collected over a five-month period that included teaching university seminars at several universities. His interaction with students and local entrepreneurs allowed the researchers to capture a salient view of entrepreneurship and Thai culture. Fifteen participants were later interviewed to gain more insight into the startup mindset from a Thai and non-Thai (living in Thailand) perspective.

LITERATURE REVIEW

Government policies that create stable and business-friendly macroeconomic conditions are important to the development of a favorable startup ecosystem (Endeavor, 2016). For example, processes for incorporating, buying and selling property, obtaining construction permits, and resolving insolvency should not be overly burdensome for business owners to understand. Infrastructure, such as reliable roadways and electricity are necessary to make business without disruption of materials, products or services (World Bank, 2014). While financial services are important for companies to grow (Tatem, 2007), access to capital is not essential for an active, early-stage startup environment that encourages entrepreneurship and investment.

Stangler and Bell-Masterson (2015) identified density, fluidity, connectivity and diversity as indicators of entrepreneurship vibrancy and growth. Each of the noted indicators includes several metrics that contribute to evaluating the quality of an entrepreneurship ecosystem. For example, density refers to the mix of new and established companies as well as the percentage of high tech companies, which have been noted to have a “multiplier effect” (pg. 3) on a business environment. The diversity of entrepreneurs and the opportunities for new companies to connect and collaborate contribute to the “entrepreneurial bricolage” (Baker & Nelson, 2005) that defines vibrancy.

A business community committed to supporting entrepreneurship is more likely to invest in resources for entrepreneurs such as mentoring, office space and participation in local business development efforts. A strong private sector can also provide capital investment to spur growth in new firms (Endeavor 2016) in partnership with local government, employment agencies and commerce organizations. It has been noted that developing an entrepreneurial ecosystem around local conditions is more successful than trying to
reproduce conditions or import resources that worked elsewhere. In other words, community and business leaders understand the nature of their local resources, and work toward shaping the ecosystem accordingly (Isenberg, 2010; 2014).

**Thai Cultural Values**

The entrepreneurial activities are influenced by local values and belief system, and therefore, it is important to note major cultural foundations in Thailand. The study of Hofstede’s (1983) offers at least four cultural dimensions to consider. Thailand is considered collectivist culture, which has strong in-group relationships such family ties, clans, or other social groups. Collectivist cultures promote values such as loyalty, face-saving, and harmony. Thai culture is a high-power distance culture, which means unequal distribution of power is widely accepted. Thai tend to be compliant and rarely challenge people in power. Examples of appropriate behaviors can be observed in schools (teacher-student relationship), workplace (superior-subordinate relationship) and at the societal level (reverence of the monarchy). Moreover, Thai people tend to believe that their status is influenced by karma; fixed or difficult to change. The concept of “ascribed identity” contrasts sharply with egalitarian mindset of the Americans (Fieg & Mortlock, 1989).

According to Hofstede (1983), Thailand has a relatively high score in uncertainty avoidance. This cultural dimension refers to the degree of tolerance to ambiguity. People in the high uncertainty avoidance tend to create rules and regulations that minimize the ambiguities. They may not prefer rapid changes and tend not to be risk-takers. This high avoidance of uncertainty may also be rooted in the Buddhist philosophy of being and of The Middle Way. The Thais prefer moderate level of actions and avoid going to the extremes. Unlike the American idea that changes and innovation are necessary for human advancement, the Thais see that the changes are necessary only when they do not impose conflicts within the group. Feig and Mortlock (1989) explained that Thais “are much more likely to prefer retaining the status quo than to go through the painful, soul-searching process of identifying problems and placing blame for things that require change” (p. 62). The Thais see changes not based upon human actions but nature.

Lastly, Thai culture is considered more feminine than masculine. Masculinity stands for cultures that emphasize achievement, heroism, and assertiveness; femininity symbolizes cultures that value relationships, modesty, and quality of life. The countries that are more masculine are Italy, Mexico, and Japan. The countries that are more feminine are Scandinavian countries, Netherlands, and Chile. Among Asian nations, Thailand is the most feminine country. Thai people are often seen as less competitive, less assertive, soft, and passive. This value is said to be rooted in Buddhist tenets that teach that happiness depends not on material goods, prestige, or fame; but joy, peace, and forgiveness.

**Entrepreneurial Culture**

The Philosophy of Sufficiency Economy was first officially incorporated into the Ninth National Economic and Social Development Plan in 1997, and remains a prominent part of government economic policy and Thai culture. While previous economic plans led to significant economic improvement, this alternative strategy was adopted with the goal of making the Thai economy increasingly resilient, and less prone to external economic factors (NESDB, 2011). The policy emphasizes modest, repeatable economic growth and
actions that promote community well-being by discouraging excessive extravagance and consumption (Savetpanuvong, et al., 2011). Some policies have proven more difficult for farmers to accommodate however and some research has questioned the benefits of the results, making it unclear whether a desired outcome has been achieved (Piboolsravut, 2004).

Entrepreneurial culture can be characterized by community that is innovative, offers creative solutions to problems and is prone to take risks to achieve certain goals, which are influenced by other aspects of national heritage (Pinillos & Reyes, 2011). While there are many dimensions to consider, the qualities that are most often reported are whether people believe that entrepreneurship is a good career choice, high status and respect in their respective country, media attention, which indicates high visibility and attractiveness of entrepreneurship (Akrathit et al., 2013). Further, a community that is receptive to entrepreneurship has the potential to inspire careers in small business, encourage patrons and encourage involvement.

The motivation for starting a business can also have a significant effect on perceived well-being, outcomes and overall business potential. For example, there are wide differences in the potential income (or independence) of opportunity-driven business and the entrepreneurs who are pushed into making business out of necessity (Akrathit et al., 2013). Moreover, necessity business owners rate their subjective well-being negatively as compared to business motivated by opportunity (Akrathit et al., 2013, p.43). Interestingly, Thailand’s rankings in subjective well-being for necessity businesses is nearly neutral, with South Korean necessity business owners ranked the lowest among the ASEAN countries (Akrathit et al., 2013).

**Business Landscape in Thailand**

There are several sources of business climate information available, including reports international agencies (e.g. World Bank, Global Entrepreneurship Monitor) and national bureaus including the National Economic Social Development Board and the Thai National Office of Statistics. While the data compiled in each of these reports varies, a number of scales and measures that describe conditions such as finance, government policy, education, infrastructure and culture can be gathered from such sources. Among the ASEAN countries, the data consistently indicates that – with the exception of a few metrics – Thailand has a robust entrepreneurial landscape.

According to the World Bank (2014), Thailand is ranked first among her peers for the *ease of doing business* in Southeast Asia, a distinction that includes measures of time required to establish a business, number of stops, fees and availability of supporting services. For example, starting a new business in Thailand requires 4 procedures and about a month to complete registration and Thailand ranks favorably in terms of the ease of paperwork to start a business, obtaining utilities, construction permits, registering property and trading across borders (World Bank, 2014).

About 90% of all Thai companies and small businesses have fewer than 50 employees (OECD, 2011), a statistic that is comparable to many developed countries. Thailand is particularly strong numbers for participation in startup companies, with 18.3% of all adults are involved in some form of entrepreneurial activity (Akrathit, et al, 2013). Culturally, entrepreneurship is perceived to be a good career choice and is a career that provides
higher status. Interestingly, Thailand has a high rate of women entrepreneurs, although they are more likely to operate as sole proprietors, they tend to be better educated and have historically outnumbered their male counterparts in opportunity and necessity-driven business.

Entrepreneurship is not equally prominent in all geographic regions, and agricultural regions in the North and Northeast have the highest rates of entrepreneurial activity. However, these regions also have higher rates of necessity business, which makes sense given the nature of the economies in these areas. Opportunity-driven entrepreneurship is higher in the North and in the Greater Bangkok regions of the country (Akrathit et al., 2013).

The concentration of business across Thailand is within two major markets; hotel and restaurants and travel. Small and Medium-sized Enterprises (SMEs) in this category were focused on travel, hotel and resort (24.0%); fashion industries, including accessories and jewelry (23.3%), with computer, electronic appliances and Internet (19.2%) rounding out the top three e-commerce markets. (National Office of Statistics, 2013). Only 3% of all startups working with information technologies as the core business model (Akrathit, et al., 2013).

While the use of ICT in business operations is growing, Thailand lags behind Japan, Korea, Singapore and Taiwan in terms of the use and distribution of technology across industries (Akrathit, et al., 2013, p. 39). Some research seems to point to the perception that technology is too difficult to use or too expensive for small business owners to consider including in their business operations. For example, a survey conducted by the United Nations indicates that 58 per cent of small business owners who currently do not use ICT in their business do not perceive the use of ICT as appropriate or necessary for their business (2008). The report concludes that two factors seem to be stalling the development of ICT business; affordability and the lack of skills and trained staff. The current research seeks to explore the nature of these barriers and to refine our understanding of what might be done to promote the development of information technologies.

**METHODOLOGY**

The research used qualitative methods including observation and interviews. The principal researcher taught a ten week seminar entitled “ICT Enterprise” in a regional university. In addition, two-day ICT entrepreneurship seminars were presented at several regional Universities. A seminar was developed to teach ICT Entrepreneurship during the first part of the university semester. The class included 15 Thai undergraduate students from Accounting, Business Management, and Information Technology degree programs. Each student had the opportunity to “pitch” a business idea, form into small groups to develop the “best” ideas, develop a business plan and make a presentation to potential investors.

Observations made during these experiences were recorded field notes and references in a journal. The notations were used to guide the development of topics for in-depth interviews. Fifteen in-depth interviews were conducted in Thailand. The interviewees include nine Thai and six foreign-born residents (Table 1). Data analysis used an iterative approach (Glaser & Strauss, 1967) that began with observations and continued with a comparison of themes that emerged from the interviews to research literature.
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<td>Professor (Computer Science)</td>
<td>Thai</td>
<td>42</td>
</tr>
<tr>
<td>Professor (Computer Science)</td>
<td>Thai</td>
<td>45</td>
</tr>
<tr>
<td>SME Manager (Transportation)</td>
<td>Thai</td>
<td>30</td>
</tr>
<tr>
<td>SME owner (Transportation)</td>
<td>Thai</td>
<td>50</td>
</tr>
<tr>
<td>Vice President (Chamber of Commerce)</td>
<td>Thai</td>
<td>45</td>
</tr>
<tr>
<td>Vice President (University Technology)</td>
<td>Thai</td>
<td>45</td>
</tr>
</tbody>
</table>

RESULTS

At the time of the interviews, the respondents lived and were employed in Thailand. The interviewees include nine Thai nationals and six foreigners, with a range of occupations represented including small business owners, teachers and university professors. Three themes were noted from the observations and interviews; reproducer entrepreneurs, culture as barrier to entrepreneurship and educational preparation for entrepreneurship.

Reproducer Entrepreneurs

Reproducer entrepreneurs typically enter markets by copying existing business models (Aldrich & Kenworthy, 1999). In Thailand, these entrepreneurs represent more than 90% of new and established businesses (Akrathit, et al., 2013). Entrepreneurial framework conditions are such that the power of ICT has yet to be realized in Thailand.

During ICT Entrepreneurship seminars, Thai students performed in much the same manner as American students learning the same material. The students presented their ideas with confidence and set about working on a business model; or how their business idea would make money. As the seminar progressed, analytics to evaluate market potential and a strategy to enter a market were not carefully considered. Most of the students’ ideas sought to replicate businesses as evidenced by the number of coffee shops, restaurants and travel agencies that were proposed, even though there were many such businesses in the local city.

In Thailand, coffee shops (or stands) are plentiful. They can be found in malls, sidewalk shops, bus stations and on sidewalk coffee stands. In spite of the variety, each sells
roughly the same coffee products. It was surprising that one-third of the seminar business proposals named a coffee shop as their startup business. The ample supply of coffee shops currently in the market was brushed off by the students, who agreed that “there many coffee shops, so it seems it must be a good business.” When asked how they might compete against other coffee shops, there also was consensus that selling at a lower price will attract clients. Price competition was most often used to establish a market, a pattern that is seen in many contexts in Thailand. For example, a rural village may be home to 5 businesses, each selling traditional goods (i.e. foods, sweets, fabrics, or furnishings) that are identical. It is striking to see such a collection small shops and stands along a roadway, each selling the same product, each ready to price bargain for business.

This theme offers some insight into determinants that have indirect influence on entrepreneurship in the Northeastern areas of Thailand. For example, the Northeastern region has the lowest quality of education coupled with a high poverty rate and the highest necessity business activity in the nation (Akrathit, et al., 2013). Education and economic conditions appear to have been a powerful influence on the development of a necessity ecosystem in the Northeast, a challenge to developing ICT businesses.

**Culture as Barrier to Entrepreneurship**

The data in this study offer some characteristics of Thai culture that may be hindrance to entrepreneurship. For example, during ICT entrepreneurship seminars a successful business model proposed to produce, store, and distribute a home-made frozen dessert. The business plan was distinguished by focusing on distribution rather than direct sales (i.e., distribution rather than retail). The sophistication of the plan resulted from the student’s experience helping her parents operate their food and product distribution business. This example illustrates an advantage in visualizing a business model due to the influence a family business background. Younger entrepreneurs who come from a family with a history of small business have access to support, resources and expertise.

On a national scale, family-owned businesses represent 42% of all business in Thailand (Suehiro & Wailerdsak, 2004), and so family-owned businesses are tremendously influential. Oftentimes these are passed down through generations of children or the spouses of children. Younger generations are more likely to expand smaller family businesses, introduce technologies to be competitive or to develop supply and distribution ventures. In a few extreme cases, a handful of family owned businesses have grown to control vast resources in certain industries (Parkinson, 2016), with control of production, distribution, and retail. This tradition has created a powerful network of family owned businesses in Thailand (Suehiro & Wailerdsak, 2004).

While Thai culture provides younger generations with strong family support, family obligations can also be a powerful constraint for the young and ambitious. Young entrepreneurs whose parents have a business background are more likely to continue a family-owned enterprise than strike out on their own. Innovators may be seen as too independent, impolite or not paying proper respect to community, traditional, or family values. Although these are personal anecdotes, these are constraining circumstances.

Based on our interview data, we heard several examples about cultural misunderstanding that can affect business relationships. The non-Thai participants told stories they perceived as odd such as ones concerning relations by marriage, business dealings, employment,
patronage to a particular Wat, or education. These stories were strange to the non-Thai as the cultural implications are quite different from norms and values they are accustomed to in a society that is more individualistic. The Thai participants expressed that foreigners seem to struggle with awareness of social position, respect, and appropriateness in Thai society. One participant said,

“Thai culture values kindness or polite behavior. Westerners perceive this as Thai don't say what they think.”

The Thai participant assumes that the Thai norms of behavior are “polite” and “kind” rather than thinking that different cultures have different norms of “polite” behavior. Another illustration of how easily misunderstandings can develop is how two different cultures view how age is perceived. In Western cultures, it is impolite to ask about a person’s age in casual encounters – and in hiring situations such questions are illegal. However, age is important in Thai culture, because this informs appropriate use of language and respectful behavior. This is especially important in business dealings where it is very important to avoid unnecessary mistakes in establishing appropriate relationships.

Another aspect of Thai culture considered as an obstacle to entrepreneurship was illustrated by two unrelated managers (one Thai, one foreign-born). Both mentioned that their style of management included training employees to be capable in multiple roles. While there are many reasons for such policies, some have created problems with some of their employees. A participant said:

“Employees believe that cycling through different working positions in a company means that they are not doing a good job with the position they were given in the first place. Staying on one job is important. Westerners think that learning new things is adding value to the company and advancement. But here in Thailand it's a demotion.”

The managers suggested that their employees favor the security of establishing a long-standing reputation rather than compete for position or advancement. This behavior of the Thai may be explained by Hofstede’s (1983) uncertainty avoidance cultural dimension. In Thai culture, being moved from one job to another increases uncertainty, as the employees have to learn new roles and responsibilities. Many prefer to stay in secure and familiar circumstances, rather than taking on new roles.

**Educational Preparation for Entrepreneurship**

When asked why more young Thai have not pursued ICT as a career path, nearly all of the interview participants (Thai and foreign) faulted the quality of the Thai educational system. The topics that emerged related to planning skills such as project management and strategic planning. Thai university professors indicated that students were not well prepared for university because lower schools (primary through secondary) focus on preparing students to pass national exams by memorization and practice. A Thai executive said:
“The education system doesn’t allow Thai kids to think differently. Teaching methods focus on memorization because that is thought to be the best way to prepare students for national exams. As a result, students lack in creativity and problem solving especially.”

Project-based learning was mentioned frequently as a potential solution to current teaching methods, especially as it applies to planning, visualizing milestones, and identifying dependencies. The interviews did not provide a clear picture of how project based learning was being implemented at the university level, especially outside of the hard sciences.

“One interview participant provided an example of an experience with planning a television program with two teams, one international and one Thai. The respondent pointed to this story to illustrate the impact that these skills have in professional settings.

“The foreigners developing the (television) program came with a picture board with episode one drawn out all the way across to the final episode details about times and shooting schedules. Each step included with phone numbers and addresses for each of the people who were involved, with a show list and dates when they were going to have them involved. And if they hadn’t secured a date there was like a to-do list out for what they needed to do to finish that whole show. The Thai producer just looked at the schedules and then he looked at us and he was really candid – he said – ‘we Thai people would love to be able to do this but we have no idea how.’”

Thailand offers favorable government policies but the quality of school programs appears to have a far-reaching effect on the startup environment, including the planning, forecasting and problem solving. Certain critical thinking skills are important for entrepreneurial activities are not taught in lower grades. Thematically, the education appeared in nearly every interview, with participants indicating that the analytic skills necessary to develop ICT businesses are not considered as important as test preparation. This appears to have a profound effect for those who want start a business later in life.

**DISCUSSION**

The startup environment in Thailand offers many advantages but there are also many challenges in the years ahead. Most important is the state of Thai schools and an educational curriculum that seems to be focused on rote learning and memorization. The net effect in the Northeastern region of Thailand is that students are not ready for higher education nor are they well prepared to develop ICT business.

Those who are in business must succeed through hard work and extraordinary execution. There is otherwise too much price competition to make a pricing strategy work in the long term. While opportunity entrepreneurship is seen as a dynamic activity that creates more employment and overall wealth in the market (World Bank, 2014), people require certain
entry-level skills in order to be successful. For example, critical thinking and problem solving are skills that perhaps should receive greater attention in schools.

There was broad agreement that problem solving, critical thinking and project-based learning would have a noticeable effect on preparation for university studies and in professional practice. Because modernizing an educational system is an enormous task that involves developing a sustainable curriculum to training teachings, private investment in startup centers, coaching, incubators and project based learning such as hacks, start events and opportunities might be the most effective approach to developing ICT businesses.

**LIMITATIONS**

The current research findings are based on participant-observations and interviews. Participant observer research has inherent limitations, including the scope of data, perspective, interpretation and cultural limitations. The current research was conducted in the Northeastern region of Thailand. There may be regional differences which would cause variations on the current findings if observations were made in Bangkok or elsewhere in the country. While steps were taken to provide an objective and unbiased interpretation of the data, the data was collected through the eyes of a foreign-born entrepreneur. While steps were taken to guide cultural and social interpretation of the data, the current research has been developed through lens of Euro-American perspective.
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INCIDENCE OF VICTIMIZATION AT SCHOOLS: 
THE INFLUENCE ON VICTIMS’ SELF-ESTEEM

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ABSTRACT

In this paper the researchers examined the possible relationship between victimization in schools and victims’ self-esteem. Originally, the target respondents of the study were 750 sixth graders from the public elementary schools of East District of Angeles City, Philippines. However, due to the sensitive concern of the study, 381 sixth graders who returned their parents’ completed consent forms were the only ones asked to respond to the instruments. Data were collected using the Adolescent Peer Relations Instrument and the Rosenberg Self-Esteem Scale. Results revealed that verbal victimization appeared to be the most predominant form of victimization (98.95%). With reference to the different victimization subscales being correlated with victims’ self-esteem, only verbal victimization (r-value -0.11; p-value 0.03) registered a significant but negligible negative correlation. Although only a negligible correlation was established, still, it was evident that the higher the incidence of being victimized verbally, the greater the possible impact on self-esteem. Clear policies on bullying and victimization in schools and awareness campaigns are recommended to address said concern.

KEY WORDS: Bullying; government schools; self-esteem; sixth graders; victimization

INTRODUCTION

Student victimization in schools is a foremost concern of educators, policymakers, administrators, parents, and students (DeVoe & Bauer, 2011). School is perceived to be a place where students should feel safe and secure, but in reality significant numbers of students are targets of bullying (Omoteso, 2010). Schools are often plagued with the problem of bullying that may cause children to live in fear during a time in their lives when they are supposed to be preparing for their adult future (Anderson, 2007). Darmawan (2010) also mentioned that in recent years the phenomenon of so called bullying and other school violence among students, youths and adolescents has been disrupting academic stability in most schools (p. 10).

According to Olweus (1996) “a student is being bullied or victimized when he or she is exposed, repeatedly and over time, to negative actions on the part of one or more other students. Negative actions can be carried out by physical contact, by words, or in other ways, such as making faces and nasty gestures or by intentional exclusion from a group. In
order to use the term bullying, there also should be an imbalance in strength (an asymmetric power relationship), meaning that students exposed to negative actions have difficulty defending themselves” (p. 16). The students who are physically stronger, more aggressive, more adventurous and physically more active, have an intrinsic tendency to bully, while those students who are physically and emotionally weaker, more reserved, more unpretentious and not vindictive are likely to be victimized (Kartal, 2009, p. 109). Victims are impacted by the negative behavior they experience from bullies that may affect their self-esteem. Omoteso (2010) stated that “students who get bullied are unsure of themselves and have poor self-confidence or negative self-image” (p. 499). Olweus (1996) also mentioned that victims suffer from low self-esteem; they have a negative view of themselves and their situation. They often look upon themselves as failures and feel stupid, ashamed, and unattractive. The victims are lonely and abandoned at school (p. 18). The current study was conducted to reveal if a relationship exists between the incidence of victimization at school and victim’s self-esteem.

Victimization at school refers to incidents that occurred inside the school building, on school property, on the school bus, or on the way to or from school (Devoe & Bauer, 2011, p. 3). The typical victims are more anxious and insecure than other students and they often are cautious, sensitive, and quiet. When attacked by other students, they commonly react by crying (at least in the lower grades) and withdrawal (Olweus, 1996). If the victims were males, they are observed to have the characteristic features of physical weakness and being less skillful (Kartal, 2009, p. 110). On the other hand, according to Uslu (2013) self-esteem is literally defined by how much value people put on themselves. It also means self-knowledge. High self-esteem refers to a highly positive evaluation of self and low self-esteem refers to an unfavorable definition of self (p. 117).

**Statement of the Problem**

This study was guided by the following objectives:

1. To determine the incidence of verbal, social and physical victimization among sixth graders;
2. To determine the self-esteem of the victims; and
3. To know whether a relationship exists between victimization (verbal, social and physical) and victims self-esteem.

**Hypothesis**

1. There is a significant relationship between victimization (verbal, social and physical) and self-esteem of the victims.

**METHOD**

**Participants**

The target respondents of the study were 750 sixth graders from the public elementary schools of East District of Angeles City, Philippines. However, due to the sensitive topic of the study, 381 sixth graders who returned their parents’ completed consent forms were the only ones asked to respond to the instruments. The youngest among them were the 11
years old and the oldest were the 18 years old. Their mean age was 11.85. Gathering of data was undertaken during the third quarter of the Academic Year 2014-2015.

**Instruments**

The instruments used in the study were firstly the victimization scales of Adolescent Peer Relations Instrument (Parada, 2000) a 36-item measure with 6 subscales assessing the frequency of physical, verbal and social bullying as both the perpetrator and victim designed for early adolescent and adolescent stage aged 12-17. It uses 6-point scale format ranging from (1) never – (6) every day. The second instrument used was the Rosenberg Self-Esteem Scale (Rosenberg, 1965) a 10-item scale that measures global self-worth (self-esteem) by measuring both positive and negative feelings about the self. All items were answered using 4-point scale format ranging from (1) strongly disagree to (4) strongly agree.

**Data Analysis**

The data collected from the completed questionnaire were tallied, tabulated and analyzed using the Statistical Package for Social Sciences (SPSS 17.0). Frequencies, percentages, means, standard deviations, minimum values and maximum values for all the measures were utilized in the study to describe demographic and descriptive variables. Likert scales were used to interpret the descriptive ratings of the responses.

The correlations of the extent of bullying subscales and the degree of bullies’ self-esteem were measured using the Pearson Product-Moment Correlation Coefficient (PMCC). The strengths of relationships between variables were interpreted using the range of values of Pearson’s r given by Mercado-del Rosario (2003) 1.00 (perfect positive/negative correlation); 0.91 to 0.99 (very high positive/negative correlation); 0.71 to 0.90 (high positive/negative correlation); 0.51 to 0.70 (moderately positive/negative correlation); 0.31 to 0.50 (low positive/negative correlation); 0.01 to 0.30 (negligible positive/negative correlation); 0.00 (no correlation) (p. 216). A significant level of 5% was used throughout the analysis of output in finding the correlations between variables.

**RESULTS**

The results revealed in Table 1 are the descriptive statistics of the responses of the respondents on the Adolescent Peer Relations Instrument. Table 2 shows the overall descriptive ratings of the responses on the Adolescent Peer Relations Instrument. Table 3 presents the descriptive statistics of the responses on the Rosenberg Self-Esteem Scale while the overall descriptive rating for Rosenberg Self-Esteem Scale is presented in Table 4. Table 5 presents the correlation between verbal, social and physical bullying and perpetrators’ self-esteem.
Table 1.

**Descriptive Statistics of the Responses of the Pupils on Adolescent Peer Relations Instrument, Section B: Victimization Subscale Items**

<table>
<thead>
<tr>
<th>Verbal Victimization</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>SD</th>
<th>DR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. I was teased by students saying things to me</td>
<td>1</td>
<td>6</td>
<td>3.22</td>
<td>1.926</td>
<td>OTM</td>
</tr>
<tr>
<td>4. A student made rude remarks at me</td>
<td>1</td>
<td>6</td>
<td>2.35</td>
<td>1.498</td>
<td>S</td>
</tr>
<tr>
<td>7. Jokes were made up about me</td>
<td>1</td>
<td>6</td>
<td>2.27</td>
<td>1.539</td>
<td>S</td>
</tr>
<tr>
<td>11. Things were said about my looks I didn’t like</td>
<td>1</td>
<td>6</td>
<td>2.30</td>
<td>1.569</td>
<td>S</td>
</tr>
<tr>
<td>13. I was ridiculed by students saying things to me</td>
<td>1</td>
<td>6</td>
<td>1.99</td>
<td>1.292</td>
<td>S</td>
</tr>
<tr>
<td>18. I was called names I didn’t like</td>
<td>1</td>
<td>6</td>
<td>2.73</td>
<td>1.809</td>
<td>OTM</td>
</tr>
</tbody>
</table>

**Total Mean 2.48 Sometimes**

<table>
<thead>
<tr>
<th>Social Victimization</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>SD</th>
<th>DR</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. A student wouldn’t be friends with me because other people didn’t like me</td>
<td>1</td>
<td>6</td>
<td>1.67</td>
<td>1.099</td>
<td>S</td>
</tr>
<tr>
<td>6. A student ignored me when they were with their friends</td>
<td>1</td>
<td>6</td>
<td>1.97</td>
<td>1.310</td>
<td>S</td>
</tr>
<tr>
<td>9. A student got their friends to turn against me</td>
<td>1</td>
<td>6</td>
<td>1.71</td>
<td>1.096</td>
<td>S</td>
</tr>
<tr>
<td>12. I wasn’t invited to a student’s place because other people didn’t like me</td>
<td>1</td>
<td>6</td>
<td>1.62</td>
<td>1.103</td>
<td>S</td>
</tr>
<tr>
<td>14. A student got students to start a rumor about me</td>
<td>1</td>
<td>6</td>
<td>1.78</td>
<td>1.170</td>
<td>S</td>
</tr>
<tr>
<td>17. I was felt out of activities, games on purpose</td>
<td>1</td>
<td>6</td>
<td>1.68</td>
<td>1.116</td>
<td>S</td>
</tr>
</tbody>
</table>

**Total Mean 1.74 Sometimes**

<table>
<thead>
<tr>
<th>Physical Victimization</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>SD</th>
<th>DR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. I was pushed or shoved</td>
<td>1</td>
<td>6</td>
<td>2.27</td>
<td>1.372</td>
<td>S</td>
</tr>
<tr>
<td>5. I was hit or kicked hard</td>
<td>1</td>
<td>6</td>
<td>1.92</td>
<td>1.227</td>
<td>S</td>
</tr>
<tr>
<td>8. Students crashed into me on purpose as they walked by</td>
<td>1</td>
<td>6</td>
<td>1.89</td>
<td>1.210</td>
<td>S</td>
</tr>
<tr>
<td>10. My property was damaged on purpose</td>
<td>1</td>
<td>6</td>
<td>1.73</td>
<td>1.062</td>
<td>S</td>
</tr>
<tr>
<td>15. Something was thrown at me to hit me</td>
<td>1</td>
<td>6</td>
<td>2.06</td>
<td>1.231</td>
<td>S</td>
</tr>
<tr>
<td>16. I was threatened to be physically hurt or harmed</td>
<td>1</td>
<td>6</td>
<td>1.81</td>
<td>1.241</td>
<td>S</td>
</tr>
</tbody>
</table>

**Total Mean 1.95 Sometimes**

*Notes.* Legend for the Descriptive Rating (DR): 5.50-6.00 – Everyday (E), 4.50-5.49 – Several times a week (SW), 3.50-4.49 – Once a week (OW), 2.50-3.49 – Once or twice a month (OTM), 1.50-2.49 – Sometimes (S), 1.00-1.49 – Never (N).
Table 1 presents the itemized responses as regards to the extent of perceived verbal, social and physical victimization experiences of the pupil-respondents in school during the year.

The verbal victimization responses revealed that the respondents were once or twice a month being victimized as seen in item no. 1 “I was teased by students saying things to me”, which received the highest mean rating of 3.22 and sometimes being victimized shown in item no. 13 “I was ridiculed by students saying things to me” (M=1.99; SD=1.292), the item with the lowest mean rating. Based on the mean values and total mean (M=2.48) of the responses, it is noticeable that the respondents were sometimes verbally victimized by perpetrators in school.

The extent of perceived social victimization showed that the respondents were sometimes being victimized as revealed by item no. 6 “A student ignored me when they were with their friends” that obtained the highest mean rating of 1.97. Item no. 12 “I wasn’t invited to a student’s place because other people didn’t like me”, had the lowest mean rating (M=1.62). The total mean value (M=1.74) shows that the respondents were sometimes socially victimized by perpetrators in school.

The itemized descriptive statistics of responses as regards to the extent of perceived physical victimization suggested that the respondents were sometimes being victimized as shown by item no. 2 “I was pushed or shoved”, with the highest mean rating of 2.27; and item no. 10 “My property was damaged on purpose”, had the lowest mean rating of 1.73. The total mean value (M=1.95) shows that the respondents were sometimes physically victimized by perpetrators in school.

Table 2 summarizes the computed total scores of the responses on the perceived verbal, social and physical victimization subscales. Based on the stated scoring of Adolescent Peer Relations Instrument (Parada, 2000), a total score of 6 for the subscales means that the respondents had never been victimized, hence, the pupils who scored 6 as reported in the minimum mean rating had never been victimized by perpetrators in school, either verbal, social or physical means of bullying. While those who scored more than 6 as revealed in the maximum mean rating had experienced being verbally, socially and physically victimized in school. The average mean score of verbal victimization (M=14.87); highest mean rating and the most predominant form of victimization in school, social victimization (M=10.41); lowest mean rating and physical victimization (M=11.68); second highest mean rating also exceeded the score of 6 which implies that some pupils in
Angeles City had been victimized by perpetrators in school by verbal, social and physical means.
Table 3.

**Descriptive Statistics of the Responses of Rosenberg Self-Esteem Scale**

*Notes.* Legend for the Descriptive Rating (DR): 3.50-4.00 – Strongly agree (SA), 2.50-3.49 – Agree (A), 1.50-2.49 – Disagree (D), 1.00-1.49 – Strongly disagree (SD).

<table>
<thead>
<tr>
<th>Rosenberg Self-Esteem Items</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>SD</th>
<th>DR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. On the whole, I am satisfied with myself.</td>
<td>1</td>
<td>4</td>
<td>1.77</td>
<td>1.022</td>
<td>D</td>
</tr>
<tr>
<td>2. At times I think I am no good at all. (Reverse-scored)</td>
<td>1</td>
<td>4</td>
<td>2.58</td>
<td>.869</td>
<td>A</td>
</tr>
<tr>
<td>3. I feel that I have a number of good qualities.</td>
<td>1</td>
<td>4</td>
<td>1.97</td>
<td>.985</td>
<td>D</td>
</tr>
<tr>
<td>4. I am able to do things as well as most other people.</td>
<td>1</td>
<td>4</td>
<td>2.01</td>
<td>.983</td>
<td>D</td>
</tr>
<tr>
<td>5. I feel I do not have much to be proud of. (Reverse-scored)</td>
<td>1</td>
<td>4</td>
<td>2.31</td>
<td>.971</td>
<td>D</td>
</tr>
<tr>
<td>6. I certainly feel useless at times. (Reverse-scored)</td>
<td>1</td>
<td>4</td>
<td>2.29</td>
<td>.987</td>
<td>D</td>
</tr>
<tr>
<td>7. I feel that I'm a person of worth, at least on an equal plane with others.</td>
<td>1</td>
<td>4</td>
<td>1.96</td>
<td>1.020</td>
<td>D</td>
</tr>
<tr>
<td>8. I wish I could have more respect for myself. (Reverse-scored)</td>
<td>1</td>
<td>4</td>
<td>3.18</td>
<td>.994</td>
<td>A</td>
</tr>
<tr>
<td>9. All in all, I am inclined to feel that I am a failure. (Reverse-scored)</td>
<td>1</td>
<td>4</td>
<td>2.30</td>
<td>1.008</td>
<td>D</td>
</tr>
<tr>
<td>10. I take a positive attitude toward myself.</td>
<td>1</td>
<td>4</td>
<td>1.99</td>
<td>1.103</td>
<td>D</td>
</tr>
</tbody>
</table>

**Grand Mean 2.24 Disagree**
Table 3 reveals that the pupils agreed with item no. 8 “I wish I could have more respect for myself. (Reverse-scored)”, which obtained the highest mean rating of 3.18. The respondents disagreed with item no. 1 “On the whole, I am satisfied with myself”, which was the statement with the lowest mean rating of 1.77. The findings imply that there are still areas in the lives of the respondents that they would like to improve. The total mean value ($M=2.24$) of the responses shows that the pupils disagreed with most of the statements on the self-esteem scale.

Table 4.

Overall descriptive statistics of the responses of Rosenberg Self-Esteem Scale

<table>
<thead>
<tr>
<th>Variables</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-Esteem</td>
<td>12</td>
<td>37</td>
<td>22.38</td>
<td>4.550</td>
</tr>
<tr>
<td>Descriptive Rating</td>
<td>low self-esteem</td>
<td>high self-esteem</td>
<td>Moderate degree</td>
<td></td>
</tr>
</tbody>
</table>

Rosenberg Self-Esteem Scale: below 20 – low self-esteem/low degree, between 20-30 – within normal range/moderate degree, higher scores – high self-esteem/high degree

Table 4 summarizes the computed total scores of the responses on the degree of victims’ self-esteem. Based on the stated scoring of the Rosenberg Self-Esteem Scale (Rosenberg, 1965), pupils who scored 12 as seen in the minimum mean rating had low self-esteem while those who scored 37 as revealed in a maximum mean rating were reported to have higher self-esteem. The average mean score of 22.38 is within the normal range which indicates that pupils in some public elementary schools of Angeles City have a normal degree of self-esteem.

Table 5.

Correlation between the Self-Esteem and the Extent of Verbal, Social and Physical Victimization

<table>
<thead>
<tr>
<th>Variables</th>
<th>r-value</th>
<th>p-value</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Verbal victimization vs Self-Esteem</td>
<td>-0.109</td>
<td>0.033</td>
<td>Significant negligible negative correlation</td>
</tr>
<tr>
<td>Social victimization vs Self-Esteem</td>
<td>0.064</td>
<td>0.213</td>
<td>Not significant; negligible positive correlation</td>
</tr>
<tr>
<td>Physical victimization vs Self-Esteem</td>
<td>0.012</td>
<td>0.817</td>
<td>Not significant; negligible positive correlation</td>
</tr>
</tbody>
</table>

Table 5 shows the significant correlation of self-esteem to any of the victimization subscales. It was found that there is no significant correlation between social victimization ($r$-value 0.064; $p$-value 0.213) and physical victimization ($r$-value 0.012; $p$-value 0.817) on the self-esteem of the victims and only verbal victimization ($r$-value -0.109; $p$-value 0.033) revealed significant negligible negative correlation with self-esteem. This implies that verbal victimization and self-esteem were significant but not strongly correlated, but since the $r$-value is negative, it implies that the higher the incidence of being victimized by verbal means the lower the level of the self-esteem of the victims.
DISCUSSION AND CONCLUSION

The results of verbal victimization (M=2.48), social victimization (M=1.74), and physical victimization (M=1.95) showed that the respondents were sometimes participants of bullying and have been victimized through verbal, social and physical means. Verbal bullying (M=11.27) and verbal victimization (M=14.87) had the highest mean ratings. Darmawan (2010) had a similar result and found a significant number of victimization cases were victims of verbal bullying (p. 63).

Regarding self-esteem, the total mean value (M=2.24) of the responses revealed that the pupils disagree with most of the statements on the self-esteem scale. The reported average mean score (M=22.38) was within the normal range, thus the pupils were experiencing a moderate degree of self-esteem. Darney, Howcroft and Stroud (2013) also had similar results with overall self-esteem of the respondents in majority of the sample belonging to bully-victim at an intermediate or average level (p. 9).

The correlation of self-esteem to any of the victimization subscales revealed that only verbal victimization (r-value -0.109; p-value 0.033) had a significant negligible negative correlation with self-esteem. The study of Graham, Bellmore and Mize (2006) conducted among sixth graders revealed that adolescents with reputations as victims were the one having the most negative self-views. They were relatively more lonely, socially anxious, depressed and low in self-esteem (p. 374). Similarly, Omoteso (2010) reported that many of the students who participated in the study were unhappy. These unhappy students were those that were bullied or being victimized (p. 507). Juvonen, Grham and Schuster (2003) also found that victims suffer not only emotional distress but also social marginalization (i.e., classmates avoid them, and they have low social status). Finally, those who both bully and are bullied (i.e., bully-victims) are especially troubled. They are by far the most socially ostracized by their peers, most likely to display conduct problems, and least engaged in school, and they also report elevated levels of depression and loneliness (p. 1233). Moreover, the findings of Estevez, Murguri and Musitu (2008) revealed that victims were having the strongest feeling of loneliness (p. 34).

RECOMMENDATIONS

Based on the results of the study it was recommended that clear policies on bullying and victimization must be provided and implemented in every elementary school in Angeles City, Philippines. There must also be a well-planned school-based bullying awareness campaign through orientations and seminars among parents, teachers and pupils for them to know when and how to intervene in bullying and victimization incidents. Lastly, counselling programs and intensive support for pupils who were identified and reported being victimized in schools by any form of bullying should be implemented to help improve their self-esteem, well-being and positive outlook in life.
REFERENCES


COMMUNITY GOALS AND THE ASEAN WAY

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ABSTRACT

Following the December 21, 2015 launch of the ASEAN Community, there seems to be some confusion and disappointment regarding the lack of completion of the stated goals in the 2015 blueprints. Therefore, I this paper the researcher seeks to clarify the milestone nature of the 2015 goals, and, more importantly, hopes to elucidate why adherence to “the ASEAN Way” is more important for ASEAN than a strict enforcement of any set of regulations or schedule. By looking at the juxtaposition between the necessity for greater integration and the realities of the Southeast Asian socio-political context, this unique form of regionalism will be defined, and why it must differ from European regionalism. Analytic eclecticism will be used to show the complexities of this organization’s strengths, which come from its web of interrelations rather than power politics.

KEY WORDS: ASEAN Community, The ASEAN Way, analytic eclecticism, Asian Economic Community (AEC), ASEAN Political-Security Community (APSC)

INTRODUCTION

On December 31, 2015, the ASEAN Community was formally launched. Depending on one’s perspective, this could interpreted as a major achievement culminating from an almost 45 year of progress, or it could be interpreted as yet more empty words from a source that seems adept at creating them. The date, and what this launch implies, also seems to be a point of confusion, except for those who have followed the story of ASEAN over the past 20 years.

After the Asian financial crisis in 1997, ASEAN faced one of the most tenuous periods in its history. Confidence and trust were at new lows across the region, and the ministers decided that a new focus was necessary. This was after a decade of record growth across the region, in both economic terms and in building infrastructure. ASEAN had seen its first major change from a defensive group of states attempting to become self-reliant after years of war and colonization, to a rising and expanding region with great potential. After the crisis, the momentum ceased, and the relevance of ASEAN was questioned (Severino, 2007).

Thus, a new focus on further integration was planned. This was based on the documents that came out of the ASEAN Free Trade Area (AFTA) (1992), discussed in the ASEAN vision 2020 document (1997), and formalized in the second Bali Concord of 2003. The concord outlined a regional community, split into three pillars of economics, political and security issues, and socio-cultural issues. ASEAN planned to implement this by 2020, and so the vision of the ASEAN Community was born. The response was generally positive,
so during discussions at the 12th Summit in Cebu, the community goal was accelerated to 2015. It was generally agreed that the community would launch on January 1, 2015, but at the 21st Summit in Phnom Penh, the date was changed to December 31.

Along with misunderstandings about the date, there were also assumptions that the launch date would be a deadline, before which, a certain level of integration would have already taken place (Papademetriou, 2016). The Community blueprints that were released the same year the ASEAN Charter was adopted, used language which implied that not only would the three community pillars be established by December 31, 2015, but that the goals would be reached as well. Although the AEC has come closest to reaching its goals, none of the pillars can be said to have completed the plan set out in the blueprints. However, the situation is not as dire as it may seem, as there have been many successes within ASEAN, and the Community has been established despite the problems and realities that the sociopolitical context of the region has presented.

DISCUSSION TOPICS

In this article, the three main queries are: (a) why did the community goals become a way-point rather than an end point?; (b) was it inevitable that the goals would not be achieved as written in the blueprints?; and (c) is “the ASEAN Way” still relevant?

OBJECTIVES

Therefore, in this review article the researcher will attempt to clarify what the ASEAN Community is, and why this form of regional integration may require the ASEAN Way. This will be done by reviewing the current discourse on the subject as of early 2016.

Firstly, an outline of the successes will be shown, before a summary of the critiques will be given. In the next section, the questions, methods, concepts and theories used in this article will be presented, as well as a recapitulation of the blueprint goals. Then a focus on the potential dangers toward ASEAN that have arisen over the past few years will be discussed, and finally, some solutions will be given.

The ASEAN Community Background

Many Western academics have been critical of ASEAN from its inception, focusing on its lack of firm regulation and enforcement, and have been dismissive of its form of soft institutionalism (Leifer, 1973; Jones & Smith, 2003; Khoo, 2004). However, looking at Southeast Asian history, one can see more clearly what ASEAN's purpose is and what it has meant for the region. At its base, ASEAN is a tool for regional peace and stability. This is clear from the language in its documents, starting with the Bangkok Declaration in 1967. Since its signing, no ASEAN Member State has engaged in open war with any other member. This is essential in understanding ASEAN, as its history of conflict, colonialism, and great power interference created a unique regional context wherein it was difficult to foster any peaceful interaction.

Earlier attempts at creating a regional group, both internally and externally mandated, failed due to conflicts and mistrust within Southeast Asia. Great power conflict surrounded the region, and seemed to threaten interference within Southeast Asian states, many of whom had recently decolonized (Acharya, 2009). Thus, some form of unity was necessary
to assure some level of stability and status quo. From this, the core concepts of maintaining peace and avoiding interference in state sovereignty were developed. Relative peace has been achieved throughout the region, as well as the maintenance of national independence. ASEAN leaders felt strongly about keeping decisions about Southeast Asian states within the region (Khoman, 1992), and this developed into an interest in ASEAN centrality, but this is one success that may change soon and will be addressed later.

Economically, ASEAN has grown from being one of the poorest regions in the world to collectively becoming the seventh largest economy, with a collective GDP of $2.4 trillion in 2013. It is also one of the more economically open regions, with $1.2 trillion in exports, which constituted 54% of the ASEAN GDP (Asian Development Bank [ADB], 2015). In the past decade, the GDP per capita has moved from $1,172 in 2000, to $3,748 in 2012. Furthermore, the percentage of people living below the poverty line has dropped from 14% in 2000, to 3% in 2012 (Astriana, Arif, & Fadhilla, 2016). The amount of foreign direct investment (FDI) entering the region has also increased at an annual average rate of 19% over the past 10 years. Regarding the AEC blueprint, 79.5% of focused AEC deliverables discussed in the blueprint were achieved by December (unlike the 92.7% stated in the Progressing Key Achievements Report) (Sim, 2015), which was above expectations.

Critiques

Critiques seem to be common for ASEAN, with a focus on its institutional weaknesses leading to it being a "talk shop" rather than an effective regional organization (Kanapathy, 1976). Aside from general AEC goals not being fully achieved, such as the removal of non-tariff barriers, specific goals were missed as well. Related to tariffs, the scope and implementation of non-tariff measures (NTMs) has been erratic, with vast differences between states, such as Thailand submitting 869 NTMs while Myanmar only submitted one in the same period (ADB, 2015). The main complaints regarding non-tariff barriers also center on transparency, citing problems with restrictions on investment in foreign ownership, non-harmonized standards and regulations, and inefficient customs procedures (Astriana et al., 2016). The development gap is also cited as a lingering problem, seen in the GDP per capita differences between states such as Singapore ($53,000) and Brunei ($27,000), while Myanmar, Cambodia and Lao PDR are only approximately $1,000. Moreover, the difference between the percentage of total economic value shows the disparity between states such as Indonesia (35%) and Laos PDR (.05%) (Astriana et al., 2016).

The economic pillar is not the target of the most scathing critiques, however, those are focused on the political security pillar. Aside from traditional ASEAN relevance critiques concerning its inability to act and the weakness of the Asean Regional Forum (ARF) (Khoo, 2004), the question of ASEAN centrality and unity has become a major issue since the end of 2015 and the beginning of 2016.

On the 15th and 16th of February 2016, the US president, Barack Obama, hosted the ASEAN leaders in a special Summit in Sunnylands, California. While there was a great deal of discussion about trade and economic issues such as the Trans-Pacific Partnership (TPP), the main issue was U.S. re-balancing which began in 2010 towards Asia (and especially Southeast Asia), in light of the increase in assertive action by Chinese president
Xi Jinping (Acharya, 2016). In particular, the People’s Republic of China’s (PRC’s) gradual move into contested waters in the South China Sea with land reclamation efforts and the occupation of contested islands has threatened almost half of the ASEAN members. The Spratly Islands are claimed by Vietnam, the Philippines, Malaysia, and Brunei (Vatikiotis, 2016). These islands hold economic as well as strategic importance in the region, and it brought to light some worrying developments in regard to ASEAN member’s perceptions of PRC. The Philippines filed a case against PRC in the Permanent Court of Arbitration which is still ongoing (Acharya, 2016), and ASEAN has issued unenforceable declarations such as The Declaration on the Conduct of Parties in the South China Sea (2002) (Vatikiotis, 2016). Since 2002, however, ASEAN has lacked even the unity to issue declarations on this issue (Vatikiotis, 2016; Acharya, 2016).

In November 2015, at an ASEAN Defense Ministers Meeting, ministers could not create consensus on issuing a joint declaration. This was a repeat of Cambodia’s refusal when it hosted the 21st Summit in 2012 (Sellier, 2016). This seems to be due to Cambodia and Lao PDR’s becoming more economically dependent on PRC, (Sellier, 2016; Vatikiotis, 2016; Acharya, 2016; Manning, 2016) as well as a change in Indonesia’s place in ASEAN, where it traditionally led consensus. The new leader, Joko Widodo, has stated that Indonesia must focus on "less multilateralism, more national interest" (Acharya, 2016). This change in focus to national economic interests means that three ASEAN members are now afraid of agitating PRC (Vatikiotis, 2016; Acharya, 2016; Manning, 2016).

The U.S. is attempting to become more involved, but ASEAN needs change from within rather than from outside. These great power machinations, and PRC’s divide and conquer actions are not only threatening ASEAN unity, but if either side is pushed too far, there is the threat of strong external action in the region from PRC or the U.S. This has damaged ASEAN centrality as well, which is evident in ASEAN's lack of presence in the U.S. proposal of a quadrilateral security dialog with Japan, India, and Australia (Vatikiotis, 2016); as well as South Korea's Northeast Asian "Trust Politic" which involves only itself, PRC, and Japan (Sellier, 2016).

Part of this disunity may also be from a change in the actors within ASEAN, as many of the original ministers have retired or died. There has also been an increase in internal state problems which has both frequently changed the people connected to ASEAN, and distracted them away from it. This is a move away from one of the important successes of ASEAN as a confidence-building mechanism, which has been used to improve the personal relations between members, so that important diplomatic opportunities such as track 2 negotiations can properly work (Vatikiotis, 2016; Astriana et al., 2016; Acharya, 2016).

Many of these critics call for a stronger ASEAN and a movement beyond confidence-building measures, increased policy regulation and enforcement, public reviews, and even the development of a regional security force (Vatikiotis, 2016; Astriana et al., 2016; Manning, 2016). This is in line with some of the language within the blueprint, which calls for a rules-based community that has a shared responsibility for comprehensive security (ASEAN Political-Security Community [APSC] Blueprints, 2007). These critiques define problems within ASEAN that call for solutions that are in opposition to the ASEAN Way.

The ASEAN Way is often critiqued as being the root of ASEAN’s problems, due to its core values (Vatikiotis, 2016; Astriana et al., 2016; Manning, 2016). The need for
consensus, the lack of strong language or enforcement of policy, along with noninterference in national issues gives the powerful elites within Member States the power to maintain their status quo, but it impedes any collective action or correction of negative actions by members. Thus, the common intersection of “the ASEAN problem” is whether to embrace stronger institutionalism in a model similar to that seen in the EU which will allow for swifter and more efficient changes in action, or continuing to allow ASEAN to be only a “talk shop,” which increasingly threatens to remove any ASEAN relevance, unity, or centrality.

CONCEPTUAL FRAMEWORK

Many of the concepts used in this paper are frequently misunderstood, especially in relation to what ASEAN's purpose is, and why it functions the way that it does. To understand ASEAN and the ASEAN Way, a historical context must be given. Thus, this section will briefly overview why analytic eclecticism is a valuable tool to understand the complexity of the ASEAN Community and the ASEAN Way. Next, an outline of the ASEAN Way will be described by investigating its development in the early years of the organization. After that, the researcher will define how the ASEAN Way has conflicted with the goals for 2015 as outlined in the blueprints. Finally, some reasons why the ASEAN Way may be necessary in the region are given.

Analytic Eclecticism

Analytic eclecticism is essentially the use of aspects from different theoretical approaches as a method to add to existing paradigm-centric work by observing a problem from multiple theoretical angles, to better define its complexity (Katzenstein & Sil, 2010). Katzenstein focused on combining aspects of realism, liberalism, and constructivism to allow each approach to use its strengths without forcing explanations that do not fit into a specific approach. As a result, both material and ideational aspects of a problem can be seen, using the parts of an approach that best describe it (Katzenstein & Sil, 2010).

Therefore, in ASEAN, the actions in the region are not only predicated by the material strengths and needs of internal and external actors, or the opportunities for prosperity through cooperation, but also the decisions that are based on the perceptions of the actors involved, which in the case of ASEAN, tend to be powerful elites (Irvine, 1982). Thus, this is may be a more valid method for analyzing the complex relations within Southeast Asia, than relying on a single approach to investigate the diverse issues present within ASEAN.

The ASEAN Way

The ASEAN Way has been defined as a multilateral institution-building framework that is characterized as including noninterference in national affairs, confidence and predictability building, preventative diplomacy through consultation, peaceful dispute settlement, and consensus. While the definition lends itself to a strong connection with conflict resolution, the ASEAN Way is used as a framework for essentially all decisions within ASEAN (Acharya, 2009). Its history makes a good example of how both material and ideational effects can shed light on a problem.
Development of the ASEAN Way

As stated earlier, by the mid-1960s almost all of Southeast Asia was dealing with the effects of decolonization after World War II. Many new states were trying to gain legitimacy and an economic footing, and thus mistrust and rampant nationalism were common. Moreover, the Cold War was at its peak and a great power proxy war was being fought in Indochina between the USA and the Communist powers of the USSR and PRC.

The balance of power in the region saw the original ASEAN countries (Thailand, Malaysia, Singapore, Indonesia, and the Philippines), siding with the U.S. and there were great fears of communist encroachment into the region (Khoman, 2012). These push and pull factors were also affected by the Bandung Conference in 1955, which helped generate the Nonaligned Movement in 1961. Thus, the leaders were interested in keeping peace and stability in the region, but not at the cost of fully submitting to either side of the Cold War (Acharya, 2009).

Golf Diplomacy

The creation of regional organizations had already been attempted, with Maphilindo in 1963 failing due to the conflict created by Indonesia’s Konfrontasi policy under Sukarno against Malaysia. The Association of Southeast Asia (ASA) was created in 1961, but failed due to membership issues after Indonesia’s new president Suharto ended the Konfrontasi policy (Acharya, 2009).

An important figure in the ASA, and later in ASEAN was Thanat Khoman. He had been Thailand’s foreign minister since 1959, and had signed an important regional document with U.S. Secretary of State Dean Rusk in 1962 to garner support and defense against communism. Seeing the failures of Maphilindo and ASA, as well as the cool reception towards Southeast Asia Treaty Organization (SEATO) (which was seen as great power interference in the region), Thanat felt that any cooperation between Southeast Asian states would have to be developed by first improving the personal relationships of each state's foreign ministers, and by extension, leaders.

Thus, he created ‘golf diplomacy’ where he would invite leaders to Thailand to play golf (Khoman, 1992; Paddock, 2016). Here began both the confidence-building measures so commonly seen in ASEAN, as well as the foundation for track 2 diplomacy which would become paramount in ASEAN development. This form of information sharing and personal relationship building changed the ideas and perceptions of the leaders enough for them to try again at regional organization creation. Therefore, in 1967 the Bangkok Declaration was signed, which was the beginning of ASEAN and the basis for the formalization of the ASEAN Way.

Elite Power Structures

A major reason that ASEAN succeeded where others had failed had a great deal to do with its leaders’ perceptions of the costs and benefits of membership. Leaders throughout Southeast Asia have traditionally come from powerful families, and these elites desired peace and stability, as well as noninterference in national affairs to maintain and grow their power bases. While it was in their best interest to seek assistance maintaining peace in the region (to avoid takeovers that would remove their seats of power), they wanted to
do so in a way that would not allow other states to judge or make decisions that would affect their decision-making power within their own countries. They needed to appear interested in solving their own problems to avoid great powers such as the U.S. interfering nationally in the name of protection.

Therefore, signing the Bangkok Declaration gave them the ability to solve external legitimacy problems, while avoiding doing anything that would affect domestic policy (Acharya, 2009; Irvine, 1982). This has generally remained the same throughout ASEAN’s history and is an unavoidable reality. To impose regulations or strong enforcement would cause ASEAN leaders to rethink the costs and benefits of membership, and would surely cause ASEAN to collapse (Pesek, 2016). This is also what has made the ASEAN Way attractive to other Asian states, as the strong elite power system is common across Asia.

Community Blueprint Language

The community blueprints were formalized at a time when ASEAN felt that it had weathered its worst crisis, and there was an eagerness to expedite a move to greater and deeper interdependence. From the language used in the blueprints, it is clear that there were hopes that the next step would be to emulate what (at the time) had been successful in the EU. Much of the problem with this language is its movement away from noninterference and consensus. This is best seen in the AEC and APSC blueprints.

In the AEC blueprints, requirements are made in the single market and production base section, where all Non-tariff Barriers are to be removed by 2015, with some flexibility only for CLMV countries (Cambodia, Lao PDR, Myanmar, and Viet Nam). Moreover, customs integration was to be harmonized by 2015, with a list of demands made in the customs integration section. In the services section, restrictions in the free flow of services were meant to be "substantially" removed by 2015, with a large number of subsections of services to be added from the General Agreements on Trade (GATS) W/120 lists. Mutual Recognition Agreements for professional services, and the facilitation of visas and employment passes were meant to be completed by 2015 (AEC Blueprint, 2007).

In the APSC blueprints, the rules-based community section calls for programs to strengthen domestic rule of law within Member States. Further, instruments for the domestic protection of migrants were to be formed, as well as committees to monitor and implement anti-corruption instruments, democracy promotion, stronger dispute settlement mechanisms, and other national initiatives (APSC Blueprint, 2007).

These directives directly contravene the noninterference principles of the ASEAN Way, so it is understandable that they have not been achieved. As stated earlier, because of the centralized power exercised by elites in each of the Member States, it would seem that ignoring the above demands is a part of the reality of the region's power structures. To force these initiatives quickly would surely cause the leaders of these Member States to pause, and remove themselves from what would seem to be negative restrictions without a commensurate level of benefits. State sovereignty is still of primary importance, as can now be seen in the fractures within the EU.
Regional Necessities

Thus, if strong regulation and enforcement is not possible, it is necessary to consider if ASEAN should continue. The main benefit is to allow small states such as those in Southeast Asia to have a united voice, which while not having any military ability to support its assertions, does have the power of publicizing issues on the global stage, which in the past often had the ability to slow, if not stop, problems from escalating (Acharya, 2009). Just as important is the indirect internalization of norms that ASEAN provides. It has been a testing ground for new actors in the global community, where they can learn how to interact diplomatically with each other, and this may even have had an effect on the "opening" of certain states such as Myanmar and Viet Nam. It is easy for human beings to engage in mistrust, hatred, and anger, but cooperation and trust seem to be attributes which must be learned. This is valuable for states that are coming from closed, repressive regimes, as they gain legitimacy not only from membership, but from their actions and behaviors that correspond with those of the people they are interacting with (Vio, 2011).

Lastly, the ASEAN Way is flexible enough to provide a framework for the web of interrelations within ASEAN. Bilateralism is often preferred in Southeast Asia over multilateralism, but the bilateral decisions made still have effects in the region. By socializing the leaders and maintaining personal relationships, ASEAN leaders would give at least some thought to their neighbors when deciding on bilateral actions (Acharya, 1991). This ability to act bilaterally has benefited the region, as decisions could be made that did not conform to the ASEAN Way, but still improved the region. For more direct actions, ASEAN developed the ASEAN minus X system, where states that agreed could sign into a document peaceably, leaving other states to sign when they were ready (Acharya, 1997). While still a soft form of institutionalization, it was mindful of the intractability of the elite leaders. Thus the ASEAN Way has been necessary within the context of Southeast Asian leadership and must be acknowledged during ASEAN decision-making processes. Therefore, if ASEAN is to continue as the regional organization it has been, its decisions must be restricted by the ASEAN Way, or else will collapse.

Possible Dangers to ASEAN

This next section deals with changes in the region over the past five years, and how the ASEAN Way as it stands now may extinguish ASEAN as surely as rigid institutionalization would. While the ASEAN Way is an unavoidable reality due to the elite politics of Southeast Asia, it has increasingly become problematic. Economically, the loose implementation of policy on a voluntary and consensual basis allows for the proliferation of non-tariff barriers such as inefficient customs procedures, irregular standards and regulations, and restrictions on investment and foreign ownership. Moreover, exclusion lists give a good excuse for non-implementation (Sim, 2015; Astriana et al., 2016).

In the services sector, there are only eight professions listed as skilled labor and Mutual Recognition Agreements on requirements and qualifications are sparse to nonexistent (Papademetriou, 2016). Single market competition fears are exacerbated by a lack of information at the small to medium enterprise level, so states see liberalization as negative rather than positive (Entzian, 2016; Schumaker, 2016). This is also in large part due to the
extreme development differences across the region. Aside from the attempts at developmental equality across the region, these differences are still underutilized, as comparative advantage could be used to create successful cross-border production networks with the current development levels (Entzian, 2016). On the other hand, stronger regional regulations would push Member States away as bilateral treaties are more common and may seem more controllable.

Socio-culturally, while there have been good advances in developing multilateral connections in educational accreditation such as the ASEAN University Network, and in sports such as the Southeast Asian Games, other community-building exercises have not been well defined or implemented (VNP, 2016; Astriana et al., 2016). More troubling is that ASEAN leaders seem to be less interested in ASEAN, and use it less to interact with their peers informally. Sadly, the father of “golf diplomacy,” Thanat Khoman, passed away on March 3rd of 2016. It seems that the earlier generation's interest in forming long-term relationships has passed as well (Paddock, 2016). Some have said that the rise of democracy in ASEAN has also deteriorated these connections, as leaders change after only a few years. Also, the large number of domestic problems faced by the Member States has distracted them from becoming to know each (Vatikiotis, 2016; Astriana et al., 2016).

Although this is socio-cultural, the pillar given the least amount of attention, it is crucial for ASEAN unity, cohesion, and centrality. As discussed earlier, the perception of elites in ASEAN dictates how the organization will act, and a loss of shared experience drastically affects an actor's sense of shared identity. This is most clearly seen in the change in Indonesia from a regional leadership role, to an inward-looking national policy (Acharya, 2016). Perhaps struggles coming from Joko Widodo's nonmilitary status force him to keep his attention within Indonesia, but it is a major loss. Also, cost and benefit decisions may be based in part on these personal connections, as can be seen with Cambodia's fear of angering PRC. These actions may signal a dire future for ASEAN as these social connections, while being ideational, have material consequences, especially in the realm of the political-security pillar.

The largest danger in the political security pillar is the change in the policy of PRC on the South China Sea. PRC’s economic connections with Lao PDR and Cambodia, as well as Indonesia, have allowed them to “divide and conquer” by pressuring these states to stay away from discussing PRC’s increased assertiveness in occupation and reclamation activities (Vatikiotis, 2016; Astriana et al., 2016; Manning, 2016; Sellier, 2016). This has split ASEAN, as the Philippines, Viet Nam, Malaysia, and Brunei see it as a major regional problem.

This is a very different response than was given during the Vietnamese invasion of Cambodia from 1978 to 1989. Even though neither state was a member, ASEAN became involved because it saw it as a breach of regional norms, and a threat to regional security. This current situation in the South China Sea is no smaller threat, especially to the “front-line” states of the Philippines and Viet Nam (Acharya, 2016). With the lack of leadership from Indonesia, and the consensus-breaking actions of Cambodia, we shall possibly see more effects from economic dependence this year with Lao PDR holding the ASEAN chair (VNA, 2016; Sellier, 2016). The RRC problem will not disappear, and swift action will be needed once the arbitration court has made their decision. However, Lao PDR may not bow to pressure in the same way Cambodia did in 2012.
CONCLUSION

This paper has moved toward some fundamental conclusions. If ASEAN is going to survive, it needs unity. If it survives, the ASEAN Way needs to be changed to improve regional inter-dependency. This cannot be done by simply making the decision process more regulated and enforced, as this will force away elites who desire national status quo above most other concerns. However, leaving the ASEAN Way as it is seems to also push elites away who are gaining better results elsewhere. Thus, something in the middle is necessary to both assure elites that ASEAN will interfere less with national sovereignty than external great powers, but will also provide enough benefits.

Events would perhaps eventuate more smoothly if one of the original members was holding the chairmanship in 2016. Malaysia was an adequate choice for 2015, but its domestic corruption scandals kept it more preoccupied than it should have been (Vatikioti, 2016). Indonesia would probably be the best choice this year, as it would put pressure on Joko to at least seem to have an interest in ASEAN. Also, something is needed to both allow for longer personal relationships than have recently been seen, and to keep elites interested. Perhaps a greater focus on the underlying state bureaucracy would support this.

Furthermore, the general secretary is meant to be a position that acts as the “face” of ASEAN. Perhaps if the secretarial terms were extended to longer than five years or if the terms were renewable, the general secretary might be a possible answer. As a solution, this would also be predicated on some more difficult requirements. Firstly, the Secretariat would need a larger staff and budget, but this is unlikely if there is failing interest in ASEAN (Sellier, 2016). Secondly, and possibly more importantly, this solution would require a well-known personality in Southeast Asia, someone with the drive, charisma, and trust of the general public. A good example would be Surin Pitsuwan. He has already shown that he has the required characteristics, so it would be a matter of changing the secretary general term rules, and enticing him to return. With a secretary general in this capacity, ASEAN could go back to its roots and the secretary could focus on forging relationships with not only leaders, but the supporting national bureaucracy, which tends to remain the same regardless of leaders.

Next, information dissemination is essential to incentivize ASEAN participation. One possible route is to show success stories in ASEAN, such as Indonesia and the Philippines graduating to investment-grade status. Perhaps a focus on informing small-and medium-sized enterprises how to implement the cross-border production networks mentioned earlier could also engage this important aspect of the regional economy. This may then influence the leaders to be more receptive to further integration along with a renegotiation of the ASEAN Way on a case-by-case or sectoral basis.

Lastly, ASEAN has had the right idea in setting in motion the ASEAN 2025 goals. This regional community must be seen as constantly evolving, so these dates must not be promoted as endpoints, but merely as mile markers. If ASEAN can survive the South China Sea problem intact, and unity can be reestablished by re-incentivizing ASEAN participation, ASEAN may very well evolve into a community of cooperative actors that succeeds within the context of the region.
REFERENCES


FACTORS INFLUENCING USERS’ ATTITUDES TOWARD INTERNET ADVERTISING ON SOCIAL MEDIA: A CROSS-CULTURAL COMPARATIVE STUDY BETWEEN CHINESE AND THAI USERS

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ABSTRACT

This study aims to investigate the factors that influence social media users’ attitudes toward advertising on social media, including perceived informativeness, perceived entertainment, perceived creativity, perceived credibility, perceived intrusiveness, privacy concern and online experience, and to compare these factors between Chinese social media users and Thai social media users based on Hofstede’s five cultural dimensions. The data were collected from 196 Chinese and 200 Thai people and analyzed using PLS (partial least squares) regression. The results indicated that perceived informativeness and perceived entertainment of advertising were positively related to users’ attitudes toward advertising on social media, while perceived intrusiveness and privacy concern were negatively associated with users’ attitudes toward advertising on social media. Furthermore, the results revealed that Chinese social media users had less positive attitudes toward advertising on social media than Thai social media users. Implications can be provided to Chinese or Thai advertisers and markets about how to make effective advertising on social media either in China or Thailand.

KEY WORDS: Social media users, advertising on social media, attitudes, culture, China, Thailand

INTRODUCTION

As the flourishing of social media environment, paid social media advertising is increasingly considered as an integrated part of marketing tool kits by marketers (Nielsen, 2013) and hold an increasingly significant role for marketers (Kumar et al., 2013), for advertising is one of primary communication linking companies with their customers (Zhang et al., 2009).
According to the data from the website Statista (2015), social media advertising revenue in China added up to 923 million US dollars in 2015 from 692 million US dollars in 2014, with a revenue growth of 58.5 percent, and with a revenue growth of 40.3 percent in 2015, social media advertising revenue in Thailand increased to 68 million US dollars from 49 million US dollars in 2014.

Even though revenue from social media advertising is increasing in both two countries, does that mean both Chinese and Thai users have favorable attitudes toward advertising on social media? Ducoffe (1996) once suggested that people’s attitudes toward online advertising are a key influence factor of advertising effectiveness, thus knowing what factors influence people’s attitudes toward advertising can be significant.

Culture can influence people’s life by affecting values, attitudes and behaviors of a society (Dartey-Baah, 2013), and it can more strongly influence a consumer’s attitudes and values than the other environmental influences such as economic influence (Hsu & Burns, 2012). Both China and Thailand are Asian countries and Thailand is geographically close to the southwest of China, yet their cultural background, economies, and advertising industries are developing differently. Each country represents a unique sociopolitical background: socialist China with weak Confucian values and capitalistic Thailand with strong Confucian values (Zhang et al., 2009: p.684). Cultural differences between China and Thailand may impact the attitudes and values of people in the two countries.

BACKGROUN AND HYPOTHESES

Internet Advertising

In this paper, Internet advertising is defined as a marketing strategy based on the Internet to generate website traffic and diffuse marketing information to customers. Goldfarb (2014) noted that as users spend more time using media through the Internet, online advertising is becoming an increasing portion of the total advertising market.

Social Media as the Advertising Channel

Up to August 2015, global social media usage still keeps increasing, with a global penetration rate in excess of 30% (Kemp, 2015). As the increasing popularity of using social media, social media no doubt has become a significant vehicle for advertisers to deliver advertising. New services and products can be easily advertised on social media to make them be more visible. The total global advertising spending on social media in the end of 2015 will be about 23.68 billion dollars and it will reach 35.98 billion dollars by 2017 (Cohen, 2015).

Social media advertising is different advertisements delivered by using social media as platforms to gain traffic or attention of online users (Goyal, 2013). Compared to other general forms of Internet advertising, social media advertising can communicate with audiences and more focus on interacting with them to attract people.

Factors Affecting Attitudes toward Advertising on Social Media and Hypotheses

Based on existing literature, determinants such as the perceived informativeness, the
perceived entertainment, the perceived creativity, the perceived intrusiveness and the perceived credibility of advertising, privacy concern, and online experience have been found to be related to people’s attitudes toward Internet advertising (El-Ashmawy & El-Sahn, 2014; Ang, Lee, & Leong, 2007; Taylor, Lewin, & Strutton, 2011; Mao & Zhang, 2015).

**Perceived Informativeness**

According to the Hierarchy Effect Model of Lavidge and Steiner (2000), the effectiveness of advertising can be shown in figure 1. If consumers can perceive the informativeness values of the advertisement, which indicates that consumers may be going through the cognitive stage in accepting the advertisement processing and may then go through the affective stage in having a positive attitude toward the advertisement. Thus, the following hypothesis is proposed:

Hypothesis 1: The perceived informativeness of advertising is positively related to users’ attitudes toward advertising on social media.

**Figure 1. Hierarchy of Effects**

<table>
<thead>
<tr>
<th>Cognitive Stage</th>
<th>Awareness</th>
<th>Information and Ideas</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Knowledge</td>
<td></td>
</tr>
<tr>
<td>Affective Stage</td>
<td>Liking</td>
<td>Attitudes and Feelings</td>
</tr>
<tr>
<td></td>
<td>Preference</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Conviction</td>
<td></td>
</tr>
<tr>
<td>Behavior Stage</td>
<td>Purchase</td>
<td>Action</td>
</tr>
</tbody>
</table>

**Perceived Entertainment**

The perceived entertainment of advertising on social media is defined as the extent to which the advertising on social media is fun and entertaining to media users (Eighmey & McCord, 1998). Similarly, according to the Hierarchy Effect Model of Lavidge and Steiner (2000) shown in figure 1., if consumers perceive the entertainment values of the advertisement, which indicates that consumers may be going through the cognitive stage in accepting the advertisement processing and may then go through the affective stage in having a positive attitude toward the advertisement. Thus, the following hypothesis is proposed:

Hypothesis 2: The perceived entertainment of advertising is positively related to users’ attitudes toward advertising on social media.

**Perceived Creativity**

The perceived creativity of advertising on social media is defined as the extent to which
the advertising on social media generally can provide both novelty or originality and relevant message (Ang & Lee, 2007; Smith et al., 2007). Novelty or originality and message relevance are considered as the most common dimensions used to represent advertising creativity (Mercanti-Guérin, 2008). Therefore, the following hypotheses are proposed:

Hypothesis 3: The perceived creativity of advertising is positively related to users’ attitudes toward advertising on social media.

H3a: The perceived novelty of advertising is positively related to users’ attitudes toward advertising on social media.

H3b: The perceived relevance of advertising is positively related to users’ attitudes toward advertising on social media.

**Perceived Intrusiveness**

The perceived intrusiveness of advertising refers to a cognitive evaluation of the degree to which the advertising interrupts someone’s goals (Edwards, Li, & Lee, 2002). Users’ perceived intrusion of advertising is the leading cause to make them develop negative feelings about advertising. If the advertising is perceived as intrusive, advertising is unlikely to elicit positive attitudes among consumers (Li, Edwards, & Lee, 2002). Thus, the following hypothesis is proposed:

Hypothesis 4: The perceived intrusiveness of advertising is negatively related to users’ attitudes toward advertising on social media.

**Perceived Credibility**

The perceived credibility of advertising is defined as consumers’ perception of the truthfulness and believability of advertising in general (Mackenzie & Lutz, 1989). When consumers think what presented in the advertisement is worth believing, they would not think the advertisement is annoying, therefore, the following hypothesis is proposed:

Hypothesis 5: The perceived credibility of advertising is positively related to users’ attitudes toward advertising on social media.
Privacy Concern

Privacy refers to personal information which has multiple dimensions, including privacy of personal behavior, privacy of personal communication, and privacy of personal data (Clarke, 1999), and privacy concerns are “concerns about possible loss of privacy as a result of information disclosure “(Xu et al., 2008; p.4). In order to increase the profit, Internet advertisers increasingly focus on providing more personalized advertising, but personalized online advertising is at the cost of individual privacy (Krishnamurthy & Wills, 2006). If social media users are aware of those privacy issues, they may not like online advertising and develop negative attitudes toward it. Therefore, the following hypothesis is proposed,

Hypothesis 6: Privacy concern is negatively related to users’ attitudes toward advertising on social media.

Online Experience

Gordon and Anand (2000) suggested that the more experience a user has online, the less accepting the use is of Internet advertising. Internet users with one year or less online experience have a less negative attitude toward Internet advertising than users with four or more years of online experience (Previte & Forrest, 1998). Thus, the following hypothesis is proposed,

Hypothesis 7: Social media users with more online experience will have a less positive attitude toward advertising on social media, whereas social media users with less online experience will have a more positive attitude toward advertising on social media.

The Role of National Culture

“Culture is the collective programming of the mind that distinguishes the members of one group or category of people from others (Hofstede et al., 2010; p.6).” The definition of culture indicates people from different countries are differentiated from different national cultures. National culture has identified as one of the key environmental characteristics explaining systematic differences in behavior (Steenkamp, 2001). People’s attitudes and values are deeply influenced by culture among the other environmental factors like economic influence (Hsu & Burn, 2012). Markus and Kitavama (1991) also suggested that the shaping of people’s perceptions and behaviors are strongly influenced by Cultural norms and beliefs. People from different cultural groups behave differently under similar circumstances because of the differences in their underlying values and attitudes (Tayeb, 1994). In the advertising context, culture has identified as a key factor to successfully help Web advertisers to deeply understand consumers’ beliefs and attitudes toward Web advertising (Wolin et al., 2002). Gao et al. (2006) also affirmed that cross-cultural differences exist in attitudes toward Internet advertising.
Hofstede’s Cultural Dimensions

Hofstede conducted a large-scale investigation about culture values to the staff coming from 72 countries of the famous multinational corporation IBM (International Business Machines Corporation) from 1967 to 1973. Hofstede’s study provides a good summarization for people to understand people’s behaviors or attitudes under different cultures. The five dimensions of Hofstede’s study are discussed as follows:

Individualism-Collectivism (IDV)

“Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after him- or herself and his or her immediate family (Hofstede et al., 2010; p.92).” Its opposite side is collectivism. “Collectivism pertains to societies in which people from birth onward are integrated into strong, cohesive in-groups, which throughout people’s lifetime continue to protect them in exchange for unquestioning loyalty (Hofstede et al., 2010; p.92).”

Power Distance (PD)

Power Distance Index (PDI) means “the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. Institutions are the basic elements of society, such as the family, the school, and the community; organizations are the places where people work (Hofstede et al., 2010; p.61).”

Uncertainty Avoidance (UA)

Uncertainty Avoidance Index (UAI) can be defined as “the extent to which the members of a culture feel threatened by ambiguous or unknown situations (Hofstede et al., 2010; p.191).” Societies with higher UAI would be less tolerant of ambiguity and unexpected situation. People’s frustration and intolerance can be visible when things do not happen as expected. Relatively, people in the culture with low UAI are more likely to accept risks, make innovations and prefer entrepreneurial spirit.

Masculinity (MAS)

In a society, different gender roles are clearly distinct: men are supposed to be assertive, tough, and focus on material success and more concerned with achievements outside the home; while women are supposed to be tender, more modest, and concerned with the quality of life, like taking care of the home, of the children and of people in general. This kind of society is called masculine. A society can be called feminine when gender roles are overlapping: both men and women are supposed to care for others and concern with the quality of life (Hofstede et al., 2010).

Long-term Orientation-Short-term Orientation (LTO)

Long-term orientation describes how a society has to maintain some links with its own past while handling the challenges of the present and future (The Hofstede Centre, 2015). It can be defined as the fostering of pragmatic virtues oriented toward future rewards, particularly
stressing on perseverance and thrift. Short-term orientation the opposite pole of long-term orientation, it stands for the fostering virtues in relation to the past and present, in particular respecting for tradition, preservation of “face” and fulfilling social obligations (Hofstede et al., 2010).

Comparisons between China and Thailand on the Six Cultural Dimensions

Index of different national culture dimensions is different in different countries. Index comparison between China and Thailand is shown in Table 1.

Table 1. 

<table>
<thead>
<tr>
<th>Country</th>
<th>IDV</th>
<th>PDI</th>
<th>MAS</th>
<th>UAI</th>
<th>LTO</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>20</td>
<td>80</td>
<td>66</td>
<td>30</td>
<td>118</td>
</tr>
<tr>
<td>Thailand</td>
<td>20</td>
<td>64</td>
<td>34</td>
<td>64</td>
<td>56</td>
</tr>
</tbody>
</table>

Sources. Data adapted from Hofstede, 2010.

With the score of Uncertainty Avoidance Index being 30, China has low avoidance on uncertainty. Under this circumstance, Chinese people are comfortable with ambiguity. Thailand scores 64 on this dimension, which can be known that Thai people tend to avoid uncertainty; people may be more risk adverse and not readily accept changes. Hofstede (2010) found that low scores on UAI were related to low levels of anxiety and stress and being willing to take risks, while high scores on UAI were related to high levels of anxiety, stress, and caring about security. To reduce uncertainty, people in cultures with high scores on UAI tend to be more protective of their private information (Bandyopadhyay, 2011). To the extent that users will more value privacy in high uncertainty avoidance cultures than users in low uncertainty avoidance. Therefore, the following hypothesis is proposed:

H8: Uncertainty avoidance dimension positively moderates the negative relationship between privacy concerns of advertising and users’ attitudes toward online advertising in social media: Users with high uncertainty avoidance index (Thailand) tend to have more negative attitudes, while users with low uncertainty avoidance index (China) tend to have less negative attitudes.

On the dimension of Long-term Orientation, China scores 118 ranking higher on this dimension, which indicates China has a very pragmatic culture. Under this culture, people believe truth more depends on context and time. They have strong perseverance in achieving results (Hofstede, 2010). Scoring 56, Thailand ranks lower than China on this dimension. It means Thai culture is more normative and less pragmatic. People in such society strongly concern with setting up an absolute truth and they prefer achieving quick results (Dartey-Baah, 2013). Perceived informativeness implies whether the advertising is pragmatic for users or not. To the extent that users tend to more concern pragmatic things in long-term orientated cultures, perceived informativeness of advertising will be more valued in long-term orientated than short-term orientated cultures. Thus, the following hypothesis is predicted:
H9: Long-term orientation dimension positively moderates the positive relationship between perceived informativeness of advertising and users’ attitudes toward online advertising in social media: Users with long-term orientation tend to have more positive attitudes, while users with short-term orientation tend to have less positive attitudes.

**METHODOLOGY**

**Measures**

To measure the dependent variable and independent variables, scales from previous literature were adapted, but some modifications were made.

Items include attitudes toward Internet advertising, perceived informativeness, perceived entertainment, perceived creativity, perceived intrusiveness, perceived credibility, privacy concerns, and the cultural dimensions items were scored on a 5-point Likert-type scale. 1= “very unimportant” and 5= “very important” only for the long-term orientation dimension, and 1= "strongly disagree” and 5= “strongly agree” for the remainders. These items were measured as reflective latent variables.

*Gender* was measured as a dummy variable (females=0; males=1). *Age* was measured in years. The *educational degree* was measured using an ordinal scale (1= below a bachelor’s degree; 2=bachelor’s degree; 3=master’s degree; 4=doctoral degree). *Average daily using time of social media* was measured using an ordinal scale (1=less than 1 hour; 2=1 hour; 3=2 hours; 4=3 hours; 5=4 hours; 6=5 hours; 7=more than 5 hours). The *nationality* of users was measured as a dummy variable, Chinese user was marked as “1”, and Thai user was marked as “0”.

**Samples and Data Collection**

In this study, in order to get diverse samples, snowball sampling technique was used. For Thai samples, author’s Thai classmates in international college were asked to distribute questionnaires to their friends in different universities in Thailand. For Chinese samples, author’s friends in different universities in China were asked to distribute questionnaires.

**Analysis Strategy**

Partial least-squares (PLS) regression was conducted to analyze data in this study. It is one of the powerful methods of analysis for its minimal requirements on measurement scales, sample size and residual distribution (Wold, 1985). Apart from that, PLS is more flexible for comparison with the covariance-based standard error of the mean (SEM) techniques (Charoensukmongkol, 2014). PLS analysis was conducted by using WarpPLS version 5.0 (Kock, 2015).
RESULTS

Overall, 196 questionnaires were collected in China and 200 were collected in Thailand. Descriptive statistics were summarized in Table 2.

Table 2.

<table>
<thead>
<tr>
<th>Demographic Characteristics of the Respondents-Mean and Standard Deviation (SD)</th>
<th>China</th>
<th>Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age (in years)</td>
<td>Mean: 23.95 (SD: 4.49)</td>
<td>Mean: 23.6 (SD: 6.37)</td>
</tr>
<tr>
<td>Gender</td>
<td>Male: 72 (36.73%)</td>
<td>Male: 79 (39.5%)</td>
</tr>
<tr>
<td></td>
<td>Female: 124 (63.27%)</td>
<td>Female: 121 (60.5%)</td>
</tr>
<tr>
<td>Education</td>
<td>Below bachelor’s degree: 71 (36.22%)</td>
<td>Below bachelor’s degree: 32 (16.2%)</td>
</tr>
<tr>
<td></td>
<td>Bachelor’s degree: 58 (29.59%)</td>
<td>Bachelor’s degree: 129 (65.2%)</td>
</tr>
<tr>
<td></td>
<td>Master’s degree: 53 (27.04%)</td>
<td>Master’s degree: 32 (16.2%)</td>
</tr>
<tr>
<td></td>
<td>Doctoral degree: 14 (7.14%)</td>
<td>Doctoral degree: 5 (2.5%)</td>
</tr>
<tr>
<td>Average daily using time of social media (in hours)</td>
<td>Mean: 4.41 (SD: 1.88)</td>
<td>Mean: 4.8 (SD: 1.89)</td>
</tr>
<tr>
<td></td>
<td>Less than 1 hour: 10 (5.1%)</td>
<td>Less than 1 hour: 9 (4.5%)</td>
</tr>
<tr>
<td></td>
<td>1 hour: 23 (11.73%)</td>
<td>1 hour: 14 (7.1%)</td>
</tr>
<tr>
<td></td>
<td>2 hours: 36 (18.37%)</td>
<td>2 hours: 30 (15.2%)</td>
</tr>
<tr>
<td></td>
<td>3 hours: 44 (22.45%)</td>
<td>3 hours: 36 (18.2%)</td>
</tr>
<tr>
<td></td>
<td>4 hours: 20 (10.2%)</td>
<td>4 hours: 29 (14.6%)</td>
</tr>
<tr>
<td></td>
<td>5 hours: 15 (7.65%)</td>
<td>5 hours: 16 (8.1%)</td>
</tr>
<tr>
<td></td>
<td>Over 5 hours: 48 (24.49%)</td>
<td>Over 5 hours: 64 (32.3%)</td>
</tr>
</tbody>
</table>

Before using PLS model estimation, it’s significant to conduct a series of analyses. Firstly, construct reliabilities were evaluated by using Cronbach’s alpha (α) and composite reliability coefficients. The results were shown in Table 3, indicating that all Cronbach’s alpha (α) coefficients were more than 0.6 and composite reliability coefficients exceeded 0.8. Hair et al. (2010) suggested that composite reliability coefficients greater than 0.7 are acceptable. Therefore, all concepts in this research have good reliability. Secondly, the convergent validity of latent variables was assessed using factor loadings. Some problematic items with factor loadings lower than 0.5 were removed from the model, and the rest factor loadings were higher than 0.5, which is acceptable as recommended by Hair et al. (2009). Next, discriminant validity test was conducted through using average variance extracted (AVE). As from Table 4, it clearly shows that the square root of the AVE of each construct is significantly greater than other correlations (Fornell & Larcker, 1981).

Therefore, the results were accepted. At last, full Variance Inflation Factor (VIF) statistics were used to check the possible presence of multicollinearity among the indicators. The results show the full VIFs ranging from 1.184 to 2.565, which is lower than 3.3 as recommended by Petter et al. (2007). Thus, there was no multicollinearity among the indicators.
The results from the PLS regression analysis are shown in Figure 2. T-values of the path coefficients of the structural model were tested by using bootstrapping resampling method. As one of resampling methods in PLS-SEM model, bootstrapping is useful for performing hypothesis tests in cases of small samples (Mooney et al., 1993) and a versatile tool that allows estimation of the distribution of any statistic for any type of distribution (Jack et al., 2001).
Table 3.

*Construct Reliability Indicators*

<table>
<thead>
<tr>
<th>ATTD</th>
<th>PINF</th>
<th>PENT</th>
<th>PNOV</th>
<th>PREL</th>
<th>PINT</th>
<th>PCRE</th>
<th>PRIV</th>
<th>PD</th>
<th>UA</th>
<th>IDV</th>
<th>LTO</th>
<th>MAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.86</td>
<td>0.843</td>
<td>0.892</td>
<td>0.819</td>
<td>0.846</td>
<td>0.907</td>
<td>0.825</td>
<td>0.858</td>
<td>0.84</td>
<td>0.898</td>
<td>0.898</td>
<td>0.851</td>
<td>0.862</td>
</tr>
<tr>
<td>0.78</td>
<td>0.719</td>
<td>0.838</td>
<td>0.669</td>
<td>0.635</td>
<td>0.846</td>
<td>0.713</td>
<td>0.669</td>
<td>0.761</td>
<td>0.858</td>
<td>0.864</td>
<td>0.787</td>
<td>0.786</td>
</tr>
</tbody>
</table>

Notes: ATTD=attitudes toward advertising on social media, PINF=perceived informativeness of advertising on social media, PENT=perceived entertainment of advertising on social media, PNOV=perceived novelty of advertising on social media, PREL=perceived relevance of advertising on social media, PINT=perceived intrusiveness of advertising on social media, PCRE=perceived credibility of advertising on social media, PRIV=privacy concern, PD=power distance, UA=uncertainty avoidance, IDV=individualism, LTO=long-term orientation, MAS=masculinity.
Table 4.

Correlations among Latent Variable and Discriminant Validity Indicators

<table>
<thead>
<tr>
<th></th>
<th>ATTD</th>
<th>PINF</th>
<th>PENT</th>
<th>NOVT</th>
<th>REL</th>
<th>PINS</th>
<th>PCRED</th>
<th>PRIV</th>
<th>PD</th>
<th>UCA</th>
<th>IDV</th>
<th>LTO</th>
<th>MAS</th>
<th>AGE</th>
<th>GEN</th>
<th>EDU</th>
<th>ADUT</th>
<th>NOU</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATTD</td>
<td>.781</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PINF</td>
<td></td>
<td>.539**</td>
<td>.801</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</table>

Notes. **, * significant level at 1 percent and 5 percent respectively;
ATTD=attitudes toward advertising on social media, PINF=perceived informativeness of advertising on social media, PENT=perceived entertainment of advertising on social media, PNOV=perceived novelty of advertising on social media, PREL=perceived relevance of advertising on social media, PINT=perceived intrusiveness of advertising on social media, PCRE=perceived credibility of advertising on social media, PRIV=privacy concern, PD=power distance, UCA=uncertainty avoidance, IDV=individualism, LTO=long-term orientation, MAS=masculinity, AGE=age, GEN=gender (male=1), EDU=education, NOU=nationality of user (Chinese=1).
Figure 2. PLS Results

Notes. ***, **, * significant level at 0.1 percent, 1 percent and 5 percent respectively;
ATTD=attitudes toward advertising on social media, PINF=perceived informativeness of advertising on social media, PENT=perceived entertainment of advertising on social media, PNOV=perceived novelty of advertising on social media, PREL=perceived relevance of advertising on social media, PINT=perceived intrusiveness of advertising on social media, PCRE=perceived credibility of advertising on social media, PRIV=privacy concern, PD=power distance, UCA=uncertainty avoidance, IDV=individualism, LTO=long-term orientation, MAS=masculinity, AGE=age, GEN=gender (male=1), EDU=education.
Results from the PLS analysis show that some hypotheses met the criteria for statistical significance and some did not meet. All hypotheses were confirmed by the data collected by the author. The results of hypotheses testing are presented in Table 4.4.

Table 5.

<table>
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<th>Hypotheses</th>
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<td>H9</td>
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</table>

Notes. ***, ** significant level at 0.1 percent, and 1 percent respectively.

In terms of the significant relationships between control variables and the dependent variable, the result indicated that females have more positive attitudes toward advertising on social media than males ($\beta$=-.059, $P<.05$). Thai people have more positive attitudes toward advertising on social media than Chinese people ($\beta$=-.284, $P<.001$). Moreover, for Thai social media users: the more informativeness they perceived from the advertising, the more positive attitudes they will have toward advertising than Chinese social media users ($\beta$=-.16, $P<.001$). All significance of relationships between independent and control variables and the dependent variable are presented in Table 5.
Table 6.

Path Coefficients and P values

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<th>Main effect</th>
<th>Moderating effect</th>
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<td>$R^2$</td>
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Notes. ***, **, * significant level at 0.1 percent, 1 percent and 5 percent respectively;

ATTD=attitudes toward advertising on social media, PINF=perceived informativeness of advertising on social media, PENT=perceived entertainment of advertising on social media, PNOV=perceived novelty of advertising on social media, PREL=perceived relevance of advertising on social media, PINT=perceived intrusiveness of advertising on social media, PCRE=perceived credibility of advertising on social media, PRIV=privacy concern, PD=power distance, UCA=uncertainty avoidance, IDV=individualism, LTO=long-term orientation, MAS=masculinity, CHINESE=Chinese, ADUT=average daily using time of social media, GEN=gender (male=1), AGE=age, , EDU=education, MS=marital status.

Finally, the results in Table 7 indicated three cultural dimensions of China and Thailand were changed compared to Hofstede’s cultural dimensions index. In terms of power distance dimension, the results showed China has lower power distance scores than Thailand, which is reversed with Hofstede’s finding that China has higher distance scores than Thailand. As for uncertainty avoidance dimension, Hofstede suggested Chinese people has lower avoidance on uncertainty than Thai people, while the results revealed
Chinese now has higher avoidance on uncertainty than Thais. Regarding to individualism dimension, the results indicated that Chinese emphasize more collectivism than Thais.

Table 7.

<table>
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<th>Country/Cultural Dimensions</th>
<th>PDI</th>
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<th>IDVI</th>
<th>LTOI</th>
<th>MASI</th>
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</thead>
<tbody>
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<td>Dimension of Hofstede (China/Thailand)</td>
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<td>30/64</td>
<td>20/20</td>
<td>118/56</td>
<td>66/34</td>
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<tr>
<td>China/Thailand (mean scores)</td>
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<td>3.72/3.64</td>
<td>3.23/3.57</td>
<td>3.83/3.64</td>
<td>3.17/2.97</td>
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</table>

Notes. Hofstede’s dimension are from literature; the mean score are based on the research results.

PDI=power distance index, UAI=uncertainty avoidance index, IDVI=individualism index, LTOI=long-term orientation index, MASI=masculinity index.

DISCUSSION AND CONCLUSIONS

The findings of this study indicated the clear links between the factors and users’ attitudes toward advertising, as well as compared these factors between Chinese social media users and Thai social media users. For the factors that influence people’s attitudes toward advertising on social media, the results revealed informativeness, entertainment and intrusiveness of advertising on social media were very strongly associated with both Chinese and Thai social media users’ attitudes toward advertising on social media. Specifically, the more informativeness users can perceive from the advertising on social media, the more positive their attitudes toward advertising. This result is consistent with the result from the study by Taylor, Lewin and Strutton (2011). In terms of entertainment of advertising, the more entertainment social media users felt they perceived from the advertising on social media, the more positive their attitudes toward advertising. This finding is also consistent with the finding from the work by Gao et al. (2006). As for the link between perceived intrusiveness and attitudes toward advertising, it indicated that social media users who felt invaded by advertising would develop less positive attitudes toward advertising on social media. This result is also consistent with the previous study by Li et al. (2002). Results of this study also showed that privacy concern strongly affected users’ attitudes toward advertising. Particularly, social media users who highly concerned over privacy security tended to develop less positive attitudes toward advertising on social media.

In addition, this study found out that in China and Thailand female social media users have more positive attitudes toward advertising on social media than male social media users. Interestingly, the analyses indicated that Chinese social media users tend to have less positive attitudes toward advertising on social media compared to Thai social media users. In particular, the informativeness of advertising more affects Thai social media users’ attitudes toward advertising on social media than Chinese social media users. When Chinese or Thai advertisers and marketers deliver advertising on social media, they should note these differences.
However, this study failed to found out the statistically significant relationships between perceived creativity, perceived credibility of advertising, online experience and users’ attitudes toward advertising on social media as Ang et al. (2007), Saadeghvaziri et al. (2011) and Previte et al.(1998) suggested respectively. Moreover, the findings of this study manifested that cultural effect on attitudes between China and Thailand was not as strong as it could have been expected through the differences in the national culture. The Hofstede’s five cultural dimensions did not be found out to moderate the relationship between perceived informativeness of advertising and attitudes toward advertising, and the relationship between privacy concern and attitudes toward advertising. Nonetheless, compared to the existing Hofstede’s five cultural dimensions, some of the cultural dimensions of China and Thailand were some extent changed. From Hofstede’s previous research, it showed both China and Thailand belong to high power distances cultures and China’s PDI (power distance index) was higher than Thailand’s, which means both Chinese people and Thai people thought inequalities among people were acceptable and Chinese people were more acceptable with inequalities than Thai people. While this study found China’s PDI is lower than Thailand’s, which indicated the Thai people were more acceptable with inequalities than Chinese people. Another changed cultural dimension index is UAI (uncertainty avoidance index). Hofstede’s research indicated that Thai people had a higher preference for avoiding uncertainty than Chinese people, while findings of this study were reverse with Hofstede’s results. In terms of individualism, Hofstede suggested both China and Thailand were highly collectivist countries with same IDVI (individualism index), while the analyses of this study manifested that the index of individualism of China was higher than that of Thailand, which means China were more highly collectivist than Thailand.

Why there are differences between Hofstede’s findings and the findings of this study? There are some reasons that may explain the differences. The first possible reason that leads to the differences may derive from the differences of samples. In Hofstede’s study, the samples were from IBM employees within the time from 1967 to 1973. In this study, most of the samples were university students. People in different ages and times can be different. Secondly, many countries have more than one culture. For example, China has various regional and local subcultures, with the country is made up of lots of ethnic groups and regional traditions. People from different ethnic groups have different values. Lastly, culture remains not static and changes over time. With time changing, Hofstede’s findings may have lost explanatory power (Dartey-Baah, 2013).

Even though there has existed various researches on predictors that determine consumers’ attitudes toward advertising, as far as the author knows there is little previous literature on comparing the factors that influence users’ attitudes toward advertising between China and Thailand. This study filled up a gap in this area, which can help people know more about the differences between Chinese social media users and Thai social media users, they different attitudes toward advertising on social media. In addition, this study proved again that it is still important for advertisers to maintain the functions of advertising that provide information and entertainment to consumers, as these two basic functions of advertising can make consumers develop positive attitudes toward advertising.

In conclusion, this study tested the main factors that influence people’s attitudes toward advertising in China and Thailand and compared them, which expands our understanding of Chinese and Thai social media users’ attitudes toward advertising on social media.
Perceived informativeness, perceived entertainment, perceived intrusiveness, privacy concern all influence Chinese and Thai people’s attitudes toward advertising on social media, moreover, Thai people have more positive attitudes toward advertising on social media.

LIMITATIONS AND FUTURE DIRECTIONS

It has to be admitted that this study has some limitations. The first limitation is that the sample of this study was skewed toward younger respondents, specifically university students. As a result, the generalizability of the findings was limited. Secondly, this study only focused on advertising on social media as generalized advertising, therefore, it is not clear which specific type of advertising make social media users felt invaded. Even though the limitations, the author expects this study will be useful for future study on advertising on social media. Future study should further explore more diverse samples and compare attitudes across different specific types of advertising social media.
REFERENCES


THE SOCIAL-EMOTIONAL DOMAIN OF KINDERGARTEN PUPILS
WITH AND WITHOUT DAYCARE CENTER EXPERIENCE

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ABSTRACT

One reason for parents enrolling children in a daycare center is to develop positive behavior such as honesty, self-discipline, and responsibility. Daycare center attendance does not only develop a child cognitively but also socially and emotionally as they learn to deal with other children. Twenty-five kindergarten pupils with daycare center experience and 25 kindergarten pupils without daycare center experience from Northville 15 Integrated School, Angeles City, Philippines during the 2014-2015 served as the respondents of this study. To achieve the purpose of the study, a qualitative research design was used. Results revealed that among the 25 kindergarten pupils with daycare center experience observed, 10 (40%) of them were able to demonstrate all the skills, while none (0%) of the kindergarten pupils without daycare center experience were able to demonstrate all the skills. The results also revealed that the kindergarten pupils with daycare center experience performed better compared to those without daycare center experience in the social-emotional domain. This study concludes that daycare center education is important for children to attain skills in the social-emotional domain.

KEY WORDS: Social-emotional domain, kindergarten, daycare center, preschool

INTRODUCTION

Each child is special, with exceptional combinations of desires and abilities that influence learning. Children need a combination of intellectual skills, motivational qualities, and socioemotional skills to succeed in school (Thompson, 2002). All children deserve the opportunity to learn in ways that make the most of their strengths and help them overcome their weaknesses. They must be able to recognize the feelings of others, manage their own behavior and feelings, and cope their peers and teachers. The researcher believes that each child is unique. Early childhood is an extraordinary and essential period of life when young children learn through exploring their environment, making discoveries, and asking questions about the world around them.

According to Mascle (2005), preschool education is the foundation of a child’s education. It helps children to gain confidence and self-esteem by making learning fun and easy at this age and making him/her an eager lifelong learner. The skills and knowledge, not to mention aptitude and attitude that a child develops in the preschool years will have a dramatic impact on the child’s success when formal schooling begins. Therefore, the child gains an advantage in a competitive world and educational climate, helping him/her to excel academically. The child who does not receive the fundamentals during their preschool years, meanwhile, is often left behind by children who already possess knowledge and skill development from the previous education.
Heller (2009) cited five significant reasons for preschool education. Firstly, brain development is greatest during the first four years of life. This is the stage when the brain is forming important neural paths to develop the child’s ability to perform and function and learn well. Secondly, structure, which goes hand-in-hand with brain development, which is vital for preschoolers. The child learns routines and expectations and begins to look forward to the next activity. Once the child is settled into the structure and routine of the preschool classroom, he or she begins to build a solid framework for his or her future school career which will be more structured and demanding. Social skills compose the third reason and are important to learn at this age as they help children learn that they live in a world full of many different types of people. The fourth reason is that academics are now emphasizing more than what had previously been expected. Lastly, preschool is important because children need time away from their parents and home to learn independence. When given the opportunity to do things on their own or with a group, children learn important work attributes that are necessary in his future.

According to Wana (2010), preschool education is the first step in a child’s educational journey. Early childhood experts are of the opinion that attending a high quality preschool program helps to promote children’s social and emotional development and prepare them for kindergarten and beyond. Knowing the ABCs and 123s are insufficient. Children must also be eager and curious about learning and confident that they can do well as they ready themselves for school. They must be able to control their feelings, have harmonious relationships with peers and value the feelings of others and their teachers. In the Philippines, daycare center education is optional before entering kindergarten. A daycare center is a place for learning for very young children. Some children attend daycare classes before primary school.

LITERATURE REVIEW

Development of Social-Emotional Skills

According to Rubin (2006), two early influences on children’s social-emotional development are parenting processes and their socio-economic status. Early influences set the stage for the development of social-emotional skills outside of the home and lay the foundation for the formation of relationships with teachers and peers.

Parenting Practices

Processes within the home that influence social-emotional development are reflected in parenting practices and the attachment relationship between the parent or caregiver and the child (Fabes, 2006; Calkins, 2004; Bernier, 2010). An unauthoritative parenting style, which is characterized by warmth, responsiveness, and developmentally appropriate limit-setting and granting of autonomy (Morris, 2007) has been shown to predict secure attachment and positive social-emotional development (Bowlby, 1988). In contrast, children of parents who used an authoritarian parenting style, which is characterized by high demandingness and low responsiveness, were more likely to have deficits in social-emotional skills (Lareau, 2008; Hill, 2001).
Family Socio-Economic Status

Children from low-income families were more likely than their peers to enter school with deficits in social-emotional skills (Dearing, 2006 & Wanless, 2011). For example, compared to their more advantaged peers, children from low-income families have more difficulties paying attention, poorer regulatory abilities are less socially competent and exhibit more internalizing and externalizing behaviors (Seccombe, 2000). Children living in poverty are exposed to an accumulation of stressors and risk factors (e.g. parent stress, family turmoil, chronic illness, dangerous neighborhoods) that can have lasting detrimental effects on their social-emotional well-being (Dearing, 2006 & Evans, 2004). In addition to having fewer financial and academic resources, children from low-income families are less likely than their peers to experience parenting processes and parenting styles that promote positive social-emotional development (Bernier, 2010) For example, in comparison to parents with higher socio-economic status, parents living in poverty spend less quality time with their children, are less responsive, and provide less social support (Evans, 2004). They are also more likely to use an authoritarian parenting style and punitive forms of discipline (Dearing, 2006, Lareau, 2003, & Seccombe, 1998). Research documents that these parenting techniques render children less prepared than their peers to appropriately navigate social environments (Lareau, 2003 & Hill, 2001). The connections between poverty and poor social-emotional outcomes are especially troubling in the current economic climate.

Importance of Preschool Experience for Social-Emotional Development

The discrepancy in children’s social-emotional skills linked to family socio-economic status highlights the importance of having access to preschool programs that effectively promote these skills, ensuring that all children enter kindergarten with the social-emotional skills critical for academic success. More than 80% of children in the U.S. attend early childhood education and care programs prior to kindergarten entry (Denton, 2009) making preschool an important setting for the development of social-emotional skills. For most children, the preschool classroom is the first environment outside of the family in which they are asked to demonstrate social-emotional skills (Phillips, 2006). It is also during the preschool years that children experience a number of developmental changes, including significant language development (Thompson, 2006) and significant brain development in the prefrontal cortex (Blair, 2002) both of which are related to components of social-emotional development, including communication skills, emotional understanding, self-regulation, and social competence (Blair, 2002; Thompson, 2006). The high number of children attending preschool coupled with the significant developmental growth during this period point to preschool as an ideal setting for promoting children’s social-emotional skills.

RESEARCH QUESTIONS

The purpose of this study was to compare the social-emotional domain of the kindergarten pupils who were with and without daycare center experience at Northville 15 Integrated School, Angeles City, Philippines.

RQ I: How may the kindergarten pupils with daycare center be described in the social-emotional domain?
RQ II: How may the kindergarten pupils without nursery school experience be described in the social-emotional domain?

RQ III: What are the similarities and differences of kindergarten pupils with and without daycare center experience in the social-emotional domain?

CONCEPTUAL FRAMEWORK

This study was based on how the kindergarten pupils with and without daycare center were described in the social-emotional domain. It used the Early Child Care and Development (ECCD) checklist to assess the social-emotional domain of the pupils with and without daycare center experience (Figure 1).

**Figure 1.** Early Child Care and Development (ECCD) Checklist

Source. Department of Education, Division of Angeles City.

METHODOLOGY

Participants

The participants of the study were the 25 kindergarten pupils with daycare center experience and 25 kindergarten pupils without daycare center experience at Northville 15 Integrated School, Angeles City, Philippines during 2014-2015.

Instrument

The instrument utilized in this study was the ECCD checklist of the Department of Education, Division of Angeles City, one of the domains in the ECCD checklist is the Social-Emotional Domain. The researcher oriented the child before the start of the survey. While the survey was being administered, documentation was done through video recording and note taking. The notes and video files were immediately reviewed and consolidated after the conduct of the test. To triangulate the data, the parents of the pupils were also interviewed, especially concerning how a particular skill was done at home.
FINDINGS

According to Meltzoff (1999), imitation is a powerful form of learning commonly used by children. A child’s enthusiasm for imitative behavior prompts parental attention and interaction, and provides a mechanism for transmitting appropriate cultural and social behavior. All (100%) in group A, as well as in group B could imitate adult activities such as sweeping the floor. They enjoyed doing what the teacher did. They particularly enjoyed spending time with older children, and imitated the behaviors they observed. Most preschoolers starting developing the ability to take part in real interactions with the people around them. They begin to learn how to talk and play with parents, teachers, and peers. But before children can take part in meaningful interactions, they need to learn skills such as how to take turns. Twenty-three (92%) of group A showed this skill, while only 19 (76%) in group B showed this skill. For example, when lining up, a student pushed into the line, just because he or she wanted to stand in a certain spot or next to a certain friend and that started a problem with the children already in line and following directions.

According to Maria Montessori, play is the work of the child. In the early years, the child’s main way of learning is through play. Play is fun for children and gives them an opportunity to explore, observe, experiment, solve problems, and learn from his mistakes. During their playtime, all (100%) in group A asked permission to play with toy being used by another, while only 22 (88%) in group B did this. All (100%) in group A shared their toys with others while only 24 (96%) in group B did so. In group A, all of them (100%) played organized games fairly, while only 21 (84%) in group B did so. Children who did not share their toys with others seemed to live by the rule of what is mine is mine and what is yours is yours. Establishing friendships is an important developmental goal of early childhood (Buysse, Goldman, & Skinner, 2002). Friendships established during the preschool years create valuable contexts to learn and practice skills essential to children’s social, cognitive, communicative, and emotional development (Guralnick, Neville, Hammond, & Connor, 2007). Friendships also benefit children by creating a sense of belonging and security and by lessening stress (Geisthardt, Brotherson, & Cook, 2002; Overton & Rausch, 2002). In addition, successful friendships in early childhood contribute to children’s quality of life and are considered important to life adjustment (Overton & Rausch, 2002; Richardson, & Schwartz, 1998).

In group A, 24 (96%) defended possessions with determination and persisted when faced with a problem or obstacle to his/her wants, while only 21 (84%) on group B did so. Children are born eager to learn. The basic premise of self-efficacy theory is that people’s beliefs in their capabilities to produce desired effects by their own actions (Bandura, 1997, p. vii) are the most important determinants of the behaviors people choose to engage in and how much they persevere in their efforts in the face of obstacles and challenges. The majority of the respondents persisted when faced with a problem or obstacle to their wants.

Curious by nature, one cannot keep children from exploring as they try to comprehend their environment, 24 (96%) in group A were curious about the environment but knew when to stop asking, while only 22 (88%) in group B did so. Both 25 (100%) in group A and B comforted their playmates in distress. Also, 25 (100%) in group A cooperated with adults and peers in group situations to minimize quarrels and conflicts, while only 24 (96%) in group B did so. One child did not possess this skill because he thought that the
other child was usurping their privileges and had unnecessarily come to share things with him/her.

Anger is a difficult feeling for most people. It is painful to feel and hard to express. We cannot expect our children never to be angry, any more than we can ask of ourselves, but we can help them find healthy outlets for the anger that they feel and help them know the good feeling that comes with self-control. All (100%) in group A could talk about difficult feelings (e.g., anger, sadness, worry) experienced, while only 21 (84%) in group B could do so. Four children were not able to do so because talking about feelings is a challenge for people at any age, but especially for young children with insufficient vocabulary to describe their feelings. Furthermore, feelings can be a jumble, and hard to organize or name. In group A, 10 (40%) appropriately used cultural gestures of greeting with little prompting (e.g., bless [mano], kiss), while none in group B did so. They did not do this because the parents did not reiterate the value of kissing the hands of elders. Twenty (80%) in group A demonstrated respect for elders using terms like *po* and *opo*, while only 12 (48%) in group B did so. Twenty in group A and 13 in group B did not say *po* and *opo* but they said teacher or sir during their conversations with the teacher. In helping with family chores such as sweeping the floor and arranging the tables and chairs, both group A and B were able because they were eager to help their teacher. Both group A and B possessed the skill of honoring simple bargains with caregiver (e.g., can play outside only after cleaning/finishing his room).

Overall, there were only 10 (40%) in group A who completed all the requirements, while none in group B did so. This shows that there was a difference of 40%. The major difference could be seen in the usage of cultural gestures of greeting with little prompting (e.g., bless [mano], kiss). The use of cultural gestures could be explained according to Vgotsky’s idea of scaffolding. Vygotsky (1978), another well-known theorist in the areas of social development and education, argued that cognitive functions are connected to the external (or social) world. He views the child as an apprentice guided by adults and more competent peers into the social world. Vygotsky explains that children learn in a systematic and logical way as a result of dialogue and interaction with a skilled helper within a zone of proximal development (ZPD). The lower boundaries of the ZPD are activities the learner can do on his or her own without the assistance of a teacher or mentor. Similarly, the upper limits of the ZPD are those learning outcomes that the learner could not achieve at this time even with the assistance of a competent teacher or mentor.

Another of the concepts of Vygotsky (1978) for guiding learning is scaffolding, by which he meant the process by which the teacher constantly changes the level of assistance given to the learner as learning needs change. When engaged in scaffolding, a teacher or coach is involved in every step during the initial stage of instruction. As the teacher observes the child correctly demonstrating partial mastery of the skill or task the teacher provides increasingly less support, with the child eventually demonstrating independent mastery of the task or skill. Both of these constructs are important in describing how a child becomes socially competent.

Bandura (1965, 1977, 1986), in his theories of social learning and social cognition, theorized three categories of influences on developing social competence: (a) behaviors children and adolescents observe within their home or culture, (b) cognitive factors such as a student’s own expectations of success, and (c) social factors such as classroom and school climate. Bandura’s reciprocal determinism model stated that these three influences
are reciprocally related. That is, each factor influences others equally and changes in one factor will result in changes in the others. In the classroom, for example, a child’s beliefs about him/herself and his or her competence (self-efficacy) can affect social behavior which, in turn, will have an impact on the classroom environment. At the same time, changes in the classroom that lead to a change in competence will have an impact on self-efficacy.

Many researchers support this reciprocal view of the construction of a variety of self-views (Harter, 1999). Bronfenbrenner (1979) provides an expanded view regarding the impact of the environment on human development. His ecological theory stated that people develop within a series of three environmental systems. At the core of his theory are microsystems, which include the few environments where the individual spends a large part of his time. According to Bronfenbrenner, the school and the classroom represent a significant microsystem of social development for children. His theory also emphasizes the importance of the macrosystem, including the factors that impact all individuals such as the movement from the agricultural age to the industrial age to the information/conceptual age (as cited in Huitt, 2007). Bronfenbrenner also highlights the importance of the mesosystem which he views as the link between various microsystems (e.g., the link between family experiences and school experiences) as well as the interpreter of the macrosystem to the individual child or youth. Bronfenbrenner’s work adds support to the importance of communication and collaboration between the family and school in a child’s social development.
### Performance of the Respondents in Social-Emotional Domain

<table>
<thead>
<tr>
<th>Skills</th>
<th>Group A Kindergarten with daycare center experience</th>
<th>Group B Kindergarten without daycare center experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imitates adult activities.</td>
<td>25(100%)</td>
<td>25(100%)</td>
</tr>
<tr>
<td>Waits for turn.</td>
<td>23(92%)</td>
<td>19(76%)</td>
</tr>
<tr>
<td>Asks permission to play with toy being used by another.</td>
<td>25(100%)</td>
<td>22(88%)</td>
</tr>
<tr>
<td>Shares toys with others.</td>
<td>25(100%)</td>
<td>24(96%)</td>
</tr>
<tr>
<td>Plays organized games fairly.</td>
<td>25(100%)</td>
<td>21(84%)</td>
</tr>
<tr>
<td>Defends possessions with determination.</td>
<td>24(96%)</td>
<td>21(84%)</td>
</tr>
<tr>
<td>Persist when faced with a problem or obstacle to his wants.</td>
<td>24(96%)</td>
<td>21(84%)</td>
</tr>
<tr>
<td>Curious about environment but knows when to stop asking questions of adults.</td>
<td>24(96%)</td>
<td>22(84%)</td>
</tr>
<tr>
<td>Comfort playmates in distress.</td>
<td>25(100%)</td>
<td>25(100%)</td>
</tr>
<tr>
<td>Cooperates with adults and peers in group situation to minimize quarrels and conflicts.</td>
<td>25(100%)</td>
<td>24(96%)</td>
</tr>
<tr>
<td>Can talk about difficult feelings (e.g. anger, sadness, worry) he experience.</td>
<td>25(100%)</td>
<td>21(84%)</td>
</tr>
<tr>
<td>Appropriately uses cultural gestures of greeting without much prompting (e.g. mano, bless, kiss, etc).</td>
<td>10(40%)</td>
<td>0(0%)</td>
</tr>
<tr>
<td>Demonstrate respect for elders using terms like “po” and “opo”.</td>
<td>20(80%)</td>
<td>12(48%)</td>
</tr>
<tr>
<td>Helps with family chores.</td>
<td>25(100%)</td>
<td>25(100%)</td>
</tr>
<tr>
<td>Watches responsibly over younger siblings / family members.</td>
<td>25(100%)</td>
<td>25(100%)</td>
</tr>
<tr>
<td>Honors a simple bargain with caregiver.</td>
<td>25(100%)</td>
<td>25(100%)</td>
</tr>
<tr>
<td><strong>Number of pupils who completed all the skills.</strong></td>
<td>10(40%)</td>
<td>0(0%)</td>
</tr>
</tbody>
</table>
CONCLUSION

Kindergarten pupils with daycare center experience perform better compared to those without daycare center experience in terms of the social emotional domain. Daycare center education is important to be able to demonstrate all the different skills in ECCD checklist specifically in the social-emotional domain as among the 25 kindergarten pupils without daycare center experience, none (0%) demonstrated all the different skills.

These seem to affirm the claims made by Ogena (2003) about the reasons for parents enrolling children in preschool and reveals that preschool education is important. It keeps develops positive behavior such as honesty, self-discipline and responsibility. Preschool education does not only develop a child cognitively but also socially and emotionally.
RECOMMENDATIONS

Kindergarten teachers should identify the pupils without daycare center education and prioritize their areas of weakness. They should also inform the parents of such children to give appropriate training at home. For parents, they should continually invest in the education of their children and consider daycare center education since it contributed significantly in terms of childhood development.
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GLOBALIZED LEGAL RULES ON EXTRACTIVE INDUSTRY TRANSPARENCY: CAN MYANMAR AND THAILAND ESCAPE FROM THIS EMERGING TREND?

by

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ABSTRACT

The Extractive Industries Transparency Initiative (EITI) has been chosen by the Myanmar government as a mechanism to combat corruption and enhance governance in the petroleum sector of the country. The EITI and its requirements are solid evidence of globalized legal rules on extractive industry transparency. In addition to the doctrinal methodology, this research applied the socio-legal methodology through semi-structured qualitative interviewing to empirically investigate the impacts of the EITI on the Myanmar government and extractive corporations. Findings are that the EITI Requirements, despite having no legally binding effect, could practically influence disclosure and publication of the information that the Myanmar people need to hold their government more accountable in managing petroleum wealth accruing to the state, and foreign investors, including Thai who seek to invest and directly participate in the Myanmar upstream, should automatically be required to comply with the EITI Requirements. Also, the implications are that insofar as Thailand depends on upon Myanmar’s natural gas to supplement its domestic production, Thai investors are likely to be compelled by geology of petroleum resources to take part in the globalized extractive industry transparency regime.

KEY WORDS: Extractive Industries Transparency Initiative (EITI), Corruption, Petroleum Industry

INTRODUCTION

The Myanmar oil and gas industry has experienced rapid expansion, beginning in 1988 when the government began permitting greater foreign investment, exploration and production within the industry (Joshi, 2011). Consequently, the government has earned massive amounts of revenue from oil and gas exploitation. As a tangible mean to ensure that petroleum resources and wealth accruing to the government are developed and managed in a transparent manner for the sustainable benefit of our people (EITI, 2013), the Myanmar government decided to adopt the Extractive Industries Transparency Initiative (hereinafter EITI) formal commitment to become an EITI Candidate country was finally made in December 2012 through promulgation of the Presidential Decree No.99/2012, Notification No 99/2012 (14th of December 2012). Afterward, Myanmar was admitted as an EITI Candidate country by the EITI Board on the 2nd of July 2014 and published its first EITI Report in January 2016 (MEITI, 2016).

From the legal perspective, the first publication of Myanmar EITI Report implies that the EITI Requirements, which are a kind of soft law, are practically capable of influencing the Myanmar government and operating oil investors to disclose and publish information on
oil and gas revenues as well as its contextual information for public scrutiny. This paper begins by describing the EITI and its functions, and analyzing its legal quality in turn. Following sections explain why the EITI Requirements could be deemed as globalized legal rules on extractive industries and why these soft law requirements could create impacts on the Myanmar oil and gas industry. In addition to the doctrinal methodology, this research applied the socio-legal methodology through semi-structured qualitative interviewing to empirically investigate the impacts of the EITI on the Myanmar government and extractive corporations.

The EITI and Its Transparency Framework

The EITI was initially formulated as an international coalition in 2003 and later become a non-governmental association under the Norwegian law in 2009 (Frynas, 2015). It encourages countries that are blessed with extractive resources to improve governance in resources wealth management through regular publication of the EITI Report (Benner, Oliveira and Kalinke, 2010). The EITI Standard acts as the authoritative source on how countries can implement the EITI (EITI, 2015). Revised in January 2015, the current EITI Standard contains: the EITI Principles; the EITI Requirements; the Validation Guide; the protocol “Participation of civil society” (EITI, 2015). To become an EITI-Compliant country, an EITI Candidate country like Myanmar has to comply with the EITI Requirements (EITI, 2015).

The EITI Requirements

The EITI Requirements are a code of conduct on extractive industry transparency, but lack legally-binding effect. Producing an EITI Report is at the heart of EITI implementation (Eigen, 2009). This report is a crucial outcome of the EITI implementing process since the report will reveal how much the government earned and citizens of the country are expected to use this piece of information to hold their government more accountable (Anderson, 2006-2007). However, ensuring the accuracy and completeness of this information is a fundamental issue in the production of an EITI Report. The EITI Standard relies on the reconciling process and the Multi-Stakeholder Group’s (hereinafter MSG) approval to ensure the quality of the information in the EITI Report.

As illustrated by Table 1 below, the EITI report-making process consists of an independent auditor collecting, for a given period, government data on payments from extractive industry companies (Sheldon et al., 2013). On the other hand, the independent auditor is responsible for collecting company data on payments to government during the same period (Sheldon et al., 2013). In other words, the host government and operating companies are required to report disaggregated details of revenues and payments respectively to the auditor (Sridar and Kannan, 2015). The outcome of this process is an EITI report which is expected to facilitate dialogue about the management of natural resources (Short, 2014). For example, if a discrepancy is identified and there is no convincing reason in the report, Civil Society Organizations (hereinafter CSO) and the public can ask the relevant questions (Sheldon et al., 2013).
Table 1.

*The EITI Report-Making Process*

<table>
<thead>
<tr>
<th>Steps</th>
<th>Activities</th>
<th>Roles of the MSG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data collection</td>
<td>Extractive corporations disclose their payments and the government discloses receipts of revenues to an Independent administrator.</td>
<td>The MSG appoints an Independent administrator.</td>
</tr>
<tr>
<td>Reconciling process</td>
<td>An Independent administrator reconciles the payments.</td>
<td>- The MSG reviews the draft EITI Report.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The MSG approves and publishes the final EITI Report.</td>
</tr>
<tr>
<td>Production of the report</td>
<td>Including the information as required by the EITI Requirements.</td>
<td>The MSG must ensure that the EITI Report is comprehensible, actively promoted, and publicly accessible and contributes to public debate.</td>
</tr>
<tr>
<td>Usage</td>
<td>The public of an EITI-implementing country including individuals and CSOs are expected to use the EITI Report to hold the government accountable.</td>
<td></td>
</tr>
</tbody>
</table>
Usage of the EITI Information

As illustrated by the above table, the outcome of the EITI process is an EITI report. This report is expected to play an influential role in facilitating public debate over natural resource management (EITI, 2015). Being provided with revenue information, the people and civil society groups can work toward a democratic debate over the effective use and allocation of oil and gas revenues and public finance in order to meet development objectives, improve public services, and redistribute income (Haufler, 2010). Where no convincing explanation for a discrepancy between receipts and payments can be found, the people would demand that the government explain (Sheldon et al., 2013). Moreover, this more transparent environment would make it more difficult for governmental officials to mismanage and take personal advantages from oil and gas revenues (Gilies, 2010).

It must be noted that this approach to oil and gas wealth management, which relies on the concept of ‘people power’ and transparency, is inextricably linked to democratization i.e. the replacement of an undemocratic political system with a democratic system (Haerpfer et al., 2010). However, the present political conditions in Myanmar may limit the people’s capacity to use information contained in an EITI Report. Publication of the first EITI Report would not deliver the desired outcome in conditions where an unpopular and corrupt government retains power because the people do not have the political capacity to replace it. For example, an EITI Report might bring to light the government’s failure to spend on basic public services. The same report could reveal that large amounts of oil and gas revenues are missing from the state’s accounts. In these conditions an EITI Report would simply inform powerless citizens that their rulers are benefiting at their expense (Rose-Ackerman, 2005). If the government does not get its mandate to rule from the people, it has no incentive to act for their benefit (Eiamchamroonlarp, 2015).

Legal Quality of the EITI Requirements

This research concludes that EITI Requirements as stipulated in the EITI Standard are correctly qualified as soft law. They codify how and to what extent a country should publish information about its extractive industries and, therefore, act as a code of conduct for extractive industries transparency. Adoption and implementation of the EITI depends on the state’s consent. Importantly, compliance with the EITI Requirements is fundamentally voluntary rather than mandatory.
Table 2.

<table>
<thead>
<tr>
<th>EITI Requirements as Soft Law</th>
<th>Legal quality of soft law</th>
<th>EITI Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being Rules of Conduct</td>
<td>Promoting or influencing norms that are believed to be good</td>
<td>Rules on extractive industries transparency to be adhered by countries implementing the EITI</td>
</tr>
<tr>
<td></td>
<td>Soft law instruments</td>
<td>Recommendations that have considerable impacts in terms of international practice passed by NGOs</td>
</tr>
<tr>
<td>State’s Consent</td>
<td>State’s consent to respect the norms</td>
<td>Unequivocal state’s intention to adopt and adherence to the EITI Requirements</td>
</tr>
<tr>
<td></td>
<td>Lacking legally-binding effect</td>
<td>No legally-bind effects</td>
</tr>
</tbody>
</table>
Being Rules of Conduct

The EITI Requirements are clearly rules of conduct for extractive industries transparency. They require an EITI implementing country to set up the MSG and publish EITI Reports in a timely manner (EITI, 2015). In publishing EITI Reports, the MSG is required to adhere to the following steps. EITI reports must include certain contextual information about the extractive industries (EITI, 2015). Importantly, these reports must contain full government disclosure of extractive industry revenues, and disclosure of all material payments to government by oil, gas and mining companies (EITI, 2015). The MSG is required to appoint an Independent Administrator to reconcile the data submitted by companies and government entities (EITI, 2015). Moreover, it is required to make sure that EITI Reports are comprehensible, actively promoted, publicly accessible, and contribute to public debate (EITI, 2015). It could be said that these requirements are norms or a code of practice deemed by the EITI as essential means to promote transparency in the extractive industries.

State’s Consent

Application of the EITI Requirements fundamentally relies on states’ consent to adhere and lack legally-binding effect. At the international level, a sovereign state is free to adopt or ignore the EITI. However, states might face moral pressure urging the state to adopt the EITI. The said moral pressure is generated by, for example, unfavorable comparisons being drawn with compliant countries. After the launch of the EITI, there are now two groups of countries: those willing to comply with the EITI principles; and those ignoring them. There are therefore strong incentives for governments not to reveal themselves as being in the latter category (Collier, 2009). After adopting the EITI, a country is required to adhere to EITI Requirements; however, it must be noted that these requirements create no legally-binding effect on the state. Failure to comply with the EITI Requirements could lead to membership suspension or delisting (EITI, 2015). However, the failure is not considered illegal and does not trigger any legal sanction against the state.

Formulation and development of the EITI display one aspect of globalization. As of March 2016, it could be said that a code of practice on extractive industries transparency formulated and developed by the EITI, which is now a private organization under Norwegian law, has created global impacts on extractive industries, as there are now 51 implementing countries (EITI, 2016). According to the EITI’s website, there are 45 countries that have published their revenues from extractive industries (EITI, 2016). Beyond implementation of the EITI in a number of countries, it should be noted that in September 2008 the United Nation General Assembly endorsed the EITI’s voluntary disclosure approach and the importance of transparency (UNGA Res 62/274 (11 September 2008) A/RES/62/274). Given these impacts, it could be said that the EITI and its Requirements have considerable impacts in terms of international or global practice.

Impacts of soft law initiative such as the EITI at the global level imply that legal rules on extractive industry transparency need not only to be enacted by the state, but could be developed by a private organization. This trend suggests that law-making regarding extractive industry transparency is shifting from the international level to the global level. Given this global dynamic (Hobe, 2001-2002), it could be preliminarily said that countries
like Myanmar and other resource-producing countries are unable to escape from these globalized legal rules. However, one can reasonably counter-argue that a sovereign state is free to adopt the EITI (Eigen, 2006-2007). In addition, when neither legal duty nor penalty is attached, there is a risk that a state would simply ignore the EITI at its discretion without any legal constraint as what happened in Equatorial Guinea (EITI, 2010). These counter-arguments will be doctrinally and empirically addressed and analyzed in the next section.

Impacts of EITI Implementation on the Myanmar Government

Under international law, an independent state basically implies a sovereign state, for example, a state that it is not a dependency of some other state (Akehurst, 1982). A sovereign state is permitted to principally determine for itself what it “must or may do” (Charney, 1993). As a consequence of sovereignty under international law, a sovereign state is free to choose whether to disclose information about its extractive industries and to adopt and enact any policy and law it chooses in respect of transparency (Eigen, 2006-2007).

Doctrinal Analysis

Governments of resource-producing countries could be motivated to implement the EITI because they seek to improve their reputation with the international community (David-Barrett and Okamura, 2013). This motivation brings tangible benefits since states that are regarded as behaving in line with international norms are often rewarded by other international actors (David-Barrett and Okamura, 2013). It should be noted that compliance with the EITI Requirements allows an EITI-implementing country to improve the investment climate for the upstream industry (EITI, 2013). In this regard, it could be said that compliance with the EITI requirements, which are qualified as soft law, are self-enforcing as an EITI-implementing country chooses to follow the rules by itself because of the reputational cost and the potential benefits that can be derived from compliance (Vieyra, Masson, and Walter, 2014).

In addition to consideration of the state’s participation and compliance, the soft law nature of the EITI makes the initiative an attractive choice. Legally-mandatory requirements might be considered politically precluded (Alstine, 2014). Conversely, the voluntary nature of the EITI Requirements makes them “politically palatable” and easier to agree to by political and economic elites in resource-rich countries (Benner and Olivier, 2013). Being a politically palatable alternative is important in a situation where a sovereign state can simply refuse to adopt the proposed reform. Relying on moral-political pressure (Li-ann, 2003), the voluntary approach attempts to encourage the state to exercise its sovereignty in a way that supports transparency (Eiamchamroonlarp, 2013).

Empirical Analysis

The above conclusion is based on the doctrinal approach or the literature-based approach. One inherent limitation of this methodology is that it might not fully reflect reality in Myanmar. One could reasonably ask whether the Myanmar government would strictly comply with soft law requirements as they have no legally-binding effect upon the
Myanmar government. To answer this question as well as to analyze legal impacts of the EITI in reality, this research applied the socio-legal methodology through semi-structured qualitative interviewing to empirically investigate the impacts of the EITI on the Myanmar government. Interviews were conducted at the Ministry of Energy (GOV1, GOV2, and GOV3) and the Myanmar EITI Office (EITI1). Please see further details on interviews in Appendix I.

**Influencing Disclosure: “We do not need to apply a hard law.”**

All three officers in the Ministry of Energy indicate that the EITI implementation in Myanmar could have a positive impact on the government’s disclosure practice. The state’s participation in the MSG was regarded as a guarantee of compliance with the EITI Requirements. These interviewees made clear that the non-legally-binding nature does not mean that the EITI Requirements lack impact. GOV1’s, GOV2’s, and GOV3’s responses appear in line with the theory behind the EITI as argued doctrinally in section 3.1. Responses from the Myanmar officials reveal that EITI implementation in the country could practically drive transparency forward.

The above responses are supported by a staff of the MDRI. EITI1 stressed that the Ministry of Energy is very willing to be transparent. The vice chair of the MSG is also the Vice-head of the Ministry of Energy and has already expressed his commitment to EITI disclosure. She further stated that: “everyone who gets involved in the MSG is happy to disclose the information.” EITI1 concluded that a soft law instrument can work in practice. Supporting operation of the soft law, she stated that: “we do not need to apply a hard law approach [to the transparency requirements], if the government and oil companies have expressed their commitment to disclose.” (Interview with a member of staff of the Myanmar Development Resource Institute (MDRI) (Yangon, Myanmar, 10 December 2014))

**Acting a Transparency Benchmark: “We have got nothing to hide.”**

According to GOV1, the EITI requirements could act as a benchmark to draw a line between the information to be made public and that which must be treated as confidential. All of the interviewees clearly opined that the revenue and the contextual information sought by the EITI Requirements could be distinguished from that, such as geological and technical data, which natural possesses a confidential quality. The Myanma Oil and Gas Enterprise (hereinafter MOGE) is ready to disclose everything it earned from its partners, for example, Chevron, Total, and PTTEP, to the Ministry of Finance as well as to the EITI committee. This interviewee clearly stated that for the revenue disclosure: “We will comply with the EITI Standard. We have got nothing to hide. Nothing to hide and everything can be disclosed. MOGE are a producer and a seller. Whenever revenues are received, the MOGE will deposit them into the government account.” (Interview with an official in the Ministry of Energy (Naypyidaw, Myanmar, 17 December 2014)).

Apart from interviewing officials from the Ministry of Myanmar, it appears reasonable to gather opinions from staffs of a CSO that has campaigned for transparency. This was done to critically assess responses from the Myanmar government. It could be drawn from CSO1 and CSO2 that the Ministry of Energy’s and the MOGE’s position claiming that the EITI could have positive impacts on the government’s disclosure practice should be
viewed realistically. Even though the Ministry’s and MEITI’s position strongly disagree with that of IL1, responses from two staffs of NGOs with solid experience of Myanmar suggest that the problem could stem from the sincerity of and real motivation behind the Myanmar government. This reliance on the will of the government is inextricably associated with the risk that the government can easily give up its transparency policy.

**Impacts of EITI Implementation on Foreign Investors**

The previous section suggests that the EITI Requirements are capable of influencing the Myanmar government especially, the MOGE to disclose the revenue and the contextual information as required by the EITI Standard. However, an issue arises as to analyze whether the same conclusion can be applied to oil investors that operate in Myanmar. To what extent the EITI Requirements, which have no legally-binding effect upon oil investors, could influence them to be more transparent?

**Doctrinal Analysis**

Oil companies operating in a country where the EITI is implemented or being implemented like Myanmar have no choice but to follow the government’s decision. Interestingly, it is not law that substantially dictates this practice (Daintith, 1994), but the physical reality of oil and gas resources. Implementation of the EITI in one country could act a safeguard that disclosures of payments made by operating oil companies will not trigger conflicts with the host government. Unlike manufacturing companies, which can choose where to set up operations based on a number of predetermined business variables, oil companies do not have the options of choosing where oil and gas are located (Smith, 2008). In the other words, a decision to explore for and produce oil and gas is basically dictated by geology (Adams, 1997). Given the fact that the company’s decision to invest is practically dictated in this way, the host government’s decision to disclose appears to be a driving reason behind the company’s decision to disclose.

**Empirical Analysis**

Identical to an analysis performed in section 3.2, the above conclusion is based on the doctrinal approach or the literature-based approach. As such, there emerges a task for this paper to answer how oil companies would react to EITI implementation in Myanmar in reality. To answer this question as well as to analyze legal impacts of the EITI in reality, this research applied the socio-legal methodology through semi-structured qualitative interviewing to empirically investigate the impacts of the EITI on oil companies operating in Myanmar, especially PTTEP. Two interviews were conducted at PTT offices: one at its Headquarters office located in Bangkok (IOC1), Thailand; and another one at its local exploration and production office located in Yangon, Myanmar (IOC2) (Please see full details on interviews in Appendix I).

**Influencing Disclosure**

Two responses from PTT and PTTEP suggest that the host government’s demand for disclosure is sufficient to compel an oil company to make a disclosure in accordance with the EITI Requirements. IOC1 stressed that “lacking legally-binding effect does not mean that the EITI would create no impacts on the Myanmar oil and gas industry” Interview
with a legal officer of the PTT Head Quarter Office (Bangkok, Thailand, 1 December 2014). In addition to responding to the host government’s demand, it should be noted that an IOC like PTT has already adopted its own transparency policy and regarded transparency as a part of its social license to operate.

Moreover, responses from IOC1 and IOC2 reveal correspondence between the Myanmar government’s position and that of the oil company. Responses of GOV1, GOV2, GOV3, and EITI indicate that the Myanmar government will demand disclosure from the operating oil company. They similarly highlighted that operating oil companies would follow the government’s transparency policy. Corresponding to this position, IOC1 and IOC2 responded that PTTEP, Total, and Chevron are ready to obey the government’s demand for transparency. This correspondence exposes how EITI implementation helps influence the disclosure. However, it must be noted that the government’s demand is at the heart of this process, not the law.

Taking the IOC1’s and IOC2’s into account, this paper finds that the logic behind the EITI as addressed in section 4.1, which assumes that the government is capable of compelling the oil company and that the EITI is practically workable, is empirically supported. The term “workable” in this context could also imply “unlocking”, in the sense that companies willing to disclose but prevented contractually would feel empowered to do so if the government moved first. Total, Chevron, and PTTEP similarly stated in their responses to the revenue transparency call in 2010 that they were willing to be transparent. These findings imply that the doctrinal analysis on impacts of the EITI on the oil company performed in section 4.1 is empirically supported.

Also the implications are that insofar as Thailand depends on upon Myanmar’s natural gas to supplement its domestic production, Thai investors are likely to be compelled by geology of petroleum resources to take part in the globalized extractive industry transparency regime. It should be noted that the Thai legal regime – law of the home country – does not require PTTEP to disclose the information as required by the EITI Standard; however, given the fact it has operated in Myanmar, PTTEP is inextricably subject to the EITI Requirements. This finding suggests that Thai investors could be subject to globalized legal rules on extractive industry transparency regardless of their willingness or their state’s willingness to be more transparent.

**Acting as a Benchmark**

From the discussion above, it appears quite clear that operating oil companies should comply with the Myanmar government’s demand for disclosure; however, what remains less clear is the scope of disclosure. IOC1 and IOC2 responded that so-called “confidential information” must not be disclosed. These two interviewees referred to confidential information on a case-by-case basis without providing a basis for determination. IOC2 stressed that: “We will disclose as far as we can and as far as the disclosure does not touch confidential information.” (Interview with a legal officer of the PTTEPI Yangon Office (Yangon, Myanmar, 8 December 2014)) Basically, PTTEP will cooperate with the EITI; however, PTTEP will have to carefully check to avoid disclosing confidential information.
Despite agreeing to comply with the government’s call for disclosure, IOC2 explicitly refused disclosure at the project level. This issue was not identified by the interviewees from the Ministry of Energy. Moreover, IOC2 used the terms “not comfortable” to reject disclosure of the actual terms of the PSC. These responses from IOC2 reveal that GOV1’s position claiming that “we have got nothing to hide” will need to be interpreted and elaborated to suit the oil company operating in Myanmar. It must be noted that transparency and successful disclosure are not relied on only by the government, but also by the company.

CONCLUSION

The EITI Requirements are neither mere political nor moral statements, but are qualified as soft law. The soft law nature of the EITI Requirements makes the EITI an attractive alternative for resource-producing countries. Oil companies operating in a country where the EITI is implemented like Myanmar have no choice but to follow the government’s decision on transparency reform. These doctrinal findings are empirically supported by interviews conducted at the Ministry of Energy of Myanmar, the MEITI Office, PTT Headquarter Office, and PTTEP Myanmar Office.

A central issue that this paper attempts to highlight is how the EITI Requirements could be deemed as globalized legal rules on extractive industry especially, the oil and gas industry. Implementation of the EITI Requirements in Myanmar suggest that a code of soft law requirements that are developed by a Norwegian private organization can have impacts on the legal regime that governs Myanmar oil and gas industry and the Myanmar government. These impacts of the EITI and its requirements on Myanmar oil and gas industry are solid evidence of globalized legal rules on extractive industry transparency.

As regards oil investors, this globalizing effect suggests that the Myanmar government and oil investors are unable to escape from the global emerging trends on extractive industry transparency. Affected by EITI implementation, a subsidiary of the Thai national oil company like PTTEP is inevitably compelled to comply with these soft law requirements insofar as it desires to exploit Myanmar petroleum resources. Thai investors are likely to be compelled by geology of petroleum resources to take part in the globalized extractive industry transparency regime. Thai investors could be subject to globalized legal rules on extractive industry transparency regardless of their own policy or their state’s willingness to be more transparent.

Apart from impacts on a host government like Myanmar and an oil investor like PTTEP, EITI Requirements could ultimately have impacts on Myanmar people. The first Myanmar EITI Report provides the Myanmar people with information that is necessary to hold the Myanmar government more accountable. Not only Myanmar people can use the EITI Report to hold their government, but also a researcher like the author can use such information to help facilitating Myanmar people’s understanding on petroleum governance through academic papers.
REFERENCES


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The EITI Standard (as revised in January 2015).


APPENDIX

INTERVIEWEES AND THEIR SELECTION

The semi-structured interviews were conducted with two main groups of interviewees: the Direct Stakeholder, and the Transparency Watchdog. Firstly, the Direct Stakeholders are interviewees from the actors directly getting involved or participating in the EITI report-making process. This group of interviewees comprises officers in the Ministry of Energy of Myanmar and legal officers in an IOC operating in Myanmar. Moreover, it includes a member of staff of the MDRI. The MDRI, an independent think tank and research centre dedicated to the economic and social transformation of Myanmar, was designated the national Myanmar EITI Coordination Office. Secondly, the Transparency Watchdogs are interviewees from non-governmental organizations that have worked on extractive industry transparency in Myanmar such as the ERI and the World Bank.

<table>
<thead>
<tr>
<th>Groups of interviewees</th>
<th>Interviewees</th>
<th>Designations</th>
<th>No. of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Stakeholder</td>
<td>GOV1</td>
<td>Officers in the Ministry of Energy</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>GOV2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GOV3</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>IOC1</td>
<td>Legal officer</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>IOC2</td>
<td>Senior legal officer</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>EITI1</td>
<td>Staff of the MDRI</td>
<td>1</td>
</tr>
<tr>
<td>Transparency Watchdog</td>
<td>CSO1</td>
<td>Staff of the ERI</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>CSO2</td>
<td>An advisor of the World Bank</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total number of interviewees</strong></td>
<td></td>
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<td>8</td>
</tr>
</tbody>
</table>

The EITI report-making process basically involves information collection from the payer and the payee – the contractor and the government. Because of this EITI Requirement, this research chose to interview representatives from the Ministry of Energy and the operating IOCs. Staffs from Myanmar EITI and CSOs are expected to give responses that critically assess responses from GOV1, GOV2, and GOV3.

All of the semi-structured interviews were conducted in person in either Thai or English at the offices of the interviewees. For Burmese interviewees, the researcher was accompanied by a translator who helped translating technical terms that the interviewers were not familiar with. An information sheet for participants and a research ethics consent form were sent to all interviewees prior to the interviews. The researcher obtained written consent to participate in the interview from most of the interviewees, except interviewees from the Ministry of Energy. Despite refusing to sign the research ethics consent form, these three interviewees participated in the interview and verbally permitted the researcher to use the information they had given for the purpose of PhD study.
CSR IN THE PERSPECTIVE OF THE COMMUNITY: 
SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM 
OF THE PHILIPPINE MINING COMPANIES 

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ABSTRACT 

Corporate Social Responsibility (CSR) is believed to have a significant influence on corporate sustainability. This study examines the Corporate Social Responsibility (CSR) – Social Development and Management Program (SDMP) of a mining company in Mindanao, Southern Philippines viewed within the framework of sustainable development. This research made use of triangulation method: a combination of qualitative and quantitative research approaches that utilized survey, interview of key informants, observation methods and secondary data analysis. The survey generated data from both the Mamanwa (Indigenous People or IP) and non-Mamanwa program beneficiaries in the host community with respect to their perceptions on the impacts of the CSR programs in their lives. Results of the survey showed that there were significant differences among the IPs and non-IPs when it comes to their views on certain economic benefits, social and environmental aspects of the company’s CSR programs. Interestingly, the non-IPs have seen and appreciated the beneficial impacts of these programs more than the IPs. Furthermore, there are vital community issues identified by the IPs that have significant policy implications like inadequate infrastructure facilities, limited employment/livelihood opportunities, low level of education/literacy and human resource capability. The non-IPs also articulated concerns over the company’s insufficient mechanisms to install a sound environmental planning and rehabilitation program, the prevalence of unsafe practices observed in the workplace including solid waste management and healthcare for the workers, and moral deterioration of the residents with the influx of migrants and mushrooming flesh trade activities. 

KEY WORDS: Corporate Social Responsibility, social development and management program, sustainable development, triangulation method, Philippines 

INTRODUCTION 

Corporate Social Responsibility (CSR) is believed to have a significant influence on corporate sustainability. It has also emerged as a form of sustainability governance with advantages to the economic, environment and social progress (Siwar and Harizan, 2011). CSR is often described as “the continuing commitment of businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (Watts and Home, 1998).
CSR is the manifestation of change towards greater sustainability for the mining industries by practical implementation of goals set to achieve sustainability. However, some social activists, most particularly those against mining, maintained that mining is destructive and precisely unsustainable activity because its operation is based on the consistent exploration and advancement of non-renewable resources that in effect tremendously leads to insignificant environmental loss, social risks and displaced indigenous groups in their ancestral lands. The fact that mining industries are extremely maintaining their commitment for community investment. Despite enduring media and public scrutiny and other aggressive oppositions coming from the rebellious groups, still, attitudes have not changed for the corporations acknowledging their social responsibilities.

The mining industries have emphasized these great concerns in adjusting their community approach and their business management practices. The combination of massive and widespread industrial development in the mining sector has increased negative perception among the public because of the emergence of issues. Determining the impacts of mining practices however is opposing the belief that mining is really the backbone of the Philippine economy. It is a persuasive challenge showing that it is as important as the accomplishment of expectations positioned with the goals of sustainable development. Mining company is necessary for the development of the country and to the financial system in particular. Thus, the need for greater efforts on the part of the government to engage business industries to comply into existing policy regulations is high while industries will also seriously conform to the policies in order to improve the situation in the mining communities.

In pursuing social development and environmental protection, the Philippine Mining Act of 1995 (R.A. 7942) requires minimum annual expenditures for community development programs and environmental remediation of direct mining and (where applicable) milling costs. These development programs aimed to advance the CSR of private firms in order to serve the host communities. The CSR compliance of these mining firms is contained in their annual budget for the Social Development Management Programs (SDMP) as mandated under Section 134 of Department of Environment and Natural Resources (DENR) Administrative Order No. 2010-21. This order requires mining companies to have financial allocations for CSR-SDMP based on the 1.5% of the operation cost where 75% is for the Development of the Host and Neighboring Communities (DHNC), 15% for the Information, Communication and Education (I.C.E) Program and 10% for the Development of Mining Technology and Geosciences (DMTG).

The mining company being studied in this research is situated in Brgy. Taganito, Claver, Surigao del Norte, Southern Philippines. It is operating in a community in which the original settlers are the Mamanwa (IP) whose ancestral domain was destroyed by the mining operation. When the mining company operated in 1986, the Mamanwas were displaced and received no compensation for the economic disturbance and the destruction of their socio-cultural landscape. It was only in 2006 that the mining company gave attention to both IPs and non-IPs as a gesture of its compliance with the provisions of the Indigenous Peoples Rights Act (IPRA) in 1997 (R.A. 8371), which protects the rights of the cultural communities/IPS, and the Philippine Mining Act of 1995 (R.A. 7942) which mandated mining companies to allot budget for the community development of the host and neighboring communities while generally providing policies and guidelines to ensure environmental protection and responsible mining.
This study generally aims to examine the CSR programs of the mining company; the perception of the IPs and non-IPs of the CSR programs of the company; including the impacts/benefits they obtained; and whether their perceptions significantly differ; examined the community issues that emerged with the mining operation; and the solutions they suggest to address these issues.

**THEORETICAL FRAMEWORK**

This study is grounded on the framework of sustainable development which brings forth the idea that development should not always be equated in economic terms but should also encompass social development while recognizing the physical limitations of the environment. Therefore, sustainable development puts forward the idea of ensuring better quality of life which aims to protect environment, enhance social progress, use natural resources prudently and maintain high and stable economic growth (Siwar and Harizan, 2011).

There are four sustainable development principles which served as guides in analyzing the data in this study, namely: ecological sustainability, common heritage, job and livelihood, and precautionary principle (International Forum on Globalization, 2002). The perceptions of the IP and non-IP respondents in the study regarding the company’s CSR programs and related community issues would echo the achievement of the CSR engagement of the company as a vehicle for validating its good citizenship and corporate image.

**METHODOLOGY**

**Research Design**

This research made use of triangulation method; a combination of qualitative and quantitative research that utilized survey, interview of key informants, and observation methods.

Quota samples of 60 survey respondents who have availed of the CSR programs of the mining company were selected comprising of 30 Mamanwa (IP) and 30 non-IPs who were interviewed from Barangay Taganito. They were predominantly married females with the mean age of 43 years old. The IP respondents were less educated, obtained lower monthly income, and reside quite recently in the barangay than the non-IPs since the former have been displaced several times and have just been newly resettled in Barangay Taganito.

Socio-demographic Profile of the Key Informants and Respondents In this study, there were 6 key informants. Their age ranges from 38-47 years old. Majority of them are male and married. Mostly practiced Roman Catholicism as their religion, majority are Surigao-non and are all well-educated. Their average income is Php 12,167 per month and they have resided in the community for about 1-10 years already. On the other hand, majority of the respondents were female, typically married and predominantly Roman Catholics. Their mean age is 43 years old. Most of the respondents are employed in a low-paying job in TMC. Because of this, there are still a few who are engaged in the farming and fishing activities to obtain extra income for the families specially the IP respondents. The IPs have an average income of Php 5,167 per month which is lower compared to Non-IP respondents with a mean income of Php 9,167. The latter mostly work in the government sector, and are better educated than IPs. The respondents’ residency mean in the
community is 10 years. In certain degree, population growth is influenced not only by natural birth but also on the migration trend. This is simply a clear indication that the operation of various mining company in the barangay gives significant growth of its population.

To measure their perception of the company’s CSR programs, a self-constructed instrument was designed and administered making use of a 5-point Likert scale. In order to determine the statistical differences in the perceptions, impact and benefits of the IP and non-IP respondents regarding the company’s CSR programs, descriptive statistics and SPSS tools were also used in obtaining analysis from the data. Mann-Whitney U test was employed.

RESULTS

CSR Programs of the Mining Company

Livelihood

At the core of the company’s SDMP implementation is the serious effort to address unemployment and improve the income generation capability of households within the mining communities. Residents in the mining communities that availed of livelihood projects have enjoyed various forms of benefits in its implementation. The program has been carried out by implementing a two-pronged approach. On one hand, the program provides livelihood assistance to individuals (independent business owners), the other is in groups or people’s organizations (POs). The company, through the SDMP implementation, is successful in reaching out to the community residents in the mining areas covered.

With the presence and operation of at least three mining companies in the area, aside from farming and fishing, employment in the mining sector has become a major source of income of the families. More families also engaged in small businesses such as house rental, grocery stores, entertainment houses, and transportation services. However, due to increase in population with the influx of more persons looking for work in the area, there had been increase also in the number of persons who were underemployed being seasonal workers. Occupational data obtained from the barangay show that most household heads work as manual laborers because of their low educational status.

Educational Support

The CSR fund for educational support program for the communities subsidized the honorarium of teachers both in the elementary and secondary schools. New classrooms were constructed, a Multi-Purpose Learning Center was completed and the center is now being used for holding classes. The projects for the education sector aimed at providing a more comfortable, safer space to hold classes and better learning experience. It is also geared towards providing educational opportunities to members in the community.

Mining Technology and Geo-Sciences Program

For mining technology and geosciences program, most of the funds were spent on scholarship program and Social Impact Assessment (SIA) of the mining company which
was conducted by the Community Resource for Education on Transformation and Empowerment (CREATE, INC.) a non-stock, non-profit, and non-governmental organization operating in the province of Surigao del Norte. The company’s third lap of the 5-year CSR (2011-2015) began in 2011. The Information Communication and Education (ICE) implementation started in 2001 but the mining technology and geosciences program only took off, as mandated, in 2011. Major changes were instituted to suit the needs of the community and the company.

**Infrastructure Facilities**

Development efforts to provide infrastructure facilities in the community were included in the annual SDMP. Some of these projects included the following: renovation of church building, construction of public market, hospital/clinics, transportation, communication, recreational facilities, housing projects (Gawad Kalinga), improvement of street lights, day care centers, school classrooms, healthcare centers, pedestrian pathways, waste disposal infrastructure and water systems.

**Health**

The program on health services is geared towards achieving overall improvement in the health and well-being of the host and neighbouring communities. The services provided are mainly for the needs of marginalized sectors such as children, youth, women, elderly, disabled, disaster victims, and Indigenous Peoples. Furthermore, the services provided were aimed at assisting these sectors to get by with their difficulties in life and harness human potentials despite their limitations. Feeding malnourished children, effective parenting, day-care classes for pre-schoolers, and other various concerns of basic knowledge and social skills, and spiritual and values formation are among the programs under health.

**Environment-Related**

As a responsible mining company, TMC believes that taking care of the environment goes beyond following all the environmental laws of the country but should be a way of life for the company and of all the stakeholders. This is aligned with the advocacy of the Philippine government, through DENR, which has set this policy: “Mining shall be pro-people and pro-environment in sustaining wealth creation and improved quality of life”.

Other environmental activities were the following: slope monitoring of soil erosions and landslides incidents; mine rehabilitation; reforestation; desilting of rivers; monitoring and maintaining the drainage systems; construction of multi-chamber settling pond; and installation of safety berm and drain canals. The said activities were the company’s commitment to the host community to ensure the protection and rehabilitation of the environment and to improve the communities as a whole.

**Cultural Preservation**

CSR for cultural preservation and participation safeguards the existing socio-cultural values and traditions of the host communities to promote social cohesion and cultural awareness.
Majority of the respondents considered some of the Information Communication and Education (ICE) activities important and a substantial number of them participated in it. On the other hand, the components of Information, Communication and Education programs of the mining company were focused on the facilitation of community consultation-forum, information drive through printed materials, broadcast media and mine tours, and information networking and linkaging. Most of the funds of the program were spent on community consultation-forum, meetings, information drive through production of newsletter and printed materials, broadcast media, mine tours, and other ICE activities inside and outside the mining communities.

Majority of the respondents enjoyed the benefits of different Information Communication and Education (ICE) activities. Among the benefits they gained were the following: 1. Learned new knowledge and skills; 2. Developed and improved capabilities; 3. Awareness of developments in the community. Likewise, majority of the respondents agree that the different ICE activities did result to the following beneficial condition to the community: 1. Improved people’s awareness of the company’s role in development; 2. Improved people’s participation in environment and protection; 3. Improved cleanliness and sanitation of the barangay; 4. Improved participation/cooperation in community activities; and 5. Improved compliance to community policies and ordinances.

Perception of IPs and Non-IPs on CSR-SDMP Practices of the Mining Company

Perception on the Economic Dimensions of the Company’s CSR-SDMP

In order to examine the differences in the perception IP and non-IP respondents regarding the livelihood projects of the mining company, the Mann-Whitney U test of difference was employed and the level of significance of z values was tested against the probability level of ≤ .05. This study found out that in terms of livelihood stability of the respondents due to mining, the non–IPs obtained a high perception level than the IPs. This means that the non-IPs considered themselves as having a more stable income due to the company than the IPs. In fact, there is a significant difference in their perceptions to this item at .05 probability level. This can be explained by the observation that the non-IPs were employed in more stable positions in the mining company whereas the IPs were seasonally employed and were occupying low level positions than the non-IPs.

In terms of learning and usefulness of the livelihood trainings provided by the company and their satisfaction on the livelihood assistance, statistically, some significant differences are noted between IPs and non-IPs. The non-IPs learned better about the livelihood program (z = 3.779; p value = .000) used their skills to augment income (z = .088; p value = .037) and were more satisfied with the livelihood opportunities (z = 4.462; p value =.000). This is because they have enough education in the technical aspects of a highly specialized field of work.

Perception on Social Dimensions of the Company’s CSR-SDMP

The results of the Mann-Whitney U test of difference between the IP and non-IP respondents on their perception regarding the education and capacity building programs of the company reveal significant differences in the following items: fair allocation of
educational scholarship \((z = 4.470, p = .000)\), enough funding on financial resources for students, school teachers, and technical instructors for educational development \((z = 3.030, p = .002)\), as well as satisfaction on the effectiveness of education/capacity building opportunities \((z = 4.710, p = .000)\).

On the other hand, for the IPs and non-IPs, there was no significant difference \((z = .425, p = .671)\) in terms of their perception about the provision of technical assistance in training skills programs and related work opportunities. Inversely, there was no significance difference with regard to providing capacity building activities which improves economic, environmental and social outcomes for the host community \((z = .310, p = .757)\). Both groups are well aware of this assistance provided by the company to them.

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The IPs and non-IPs perceived that the company provides fair and full scholarship opportunities for deserving students in the barangay and enough financial assistance were given to the students, teachers and other capacity building activities initiated for development purposes. However, based on the statistical result, there is no significant difference among IPs and non-IPs on their perception on this variable \((z = .5178, p = .286)\). Right now, IP students are sent by the company for scholarship in known regional and national universities in the Philippines.

There was also a very high perception level among the respondents with respect to the skills/trainings under capacity building program component of the company which creates opportunities for work within the mining industries. It is congruent with the provisions of Republic Act (R.A.) No. 7943, Section 136 under duties and responsibilities of the Contractor/Permit Holder/Lessee on the development of the host and neighboring communities, which stipulated that it shall organize skills enhancement programs in the absence of the needed skills and shall give its firm commitment to skills capability building and entrepreneurship development for the residents in the community.

Moreover, the statistical results also showed a significant difference among the IPs and non-IPs with respect to access to medical services that improve health condition of the host community residents \((z = 3.456, p = .008)\); medical healthcare professionals are provided assistance for the residents \((z = 2.643, p = .008)\); and the satisfaction level of the residents with regard to healthcare services and programs of the company \((z = 2.406, p = .016)\). The presence of medical facilities provided by the company serving the host community is open to both the IPs and non-IPs. However, it is known that the IPS have low subscription rate to the services provided by these facilities. This can be explained by the reality that the IPs have the choice where to go for curative resort because of their dual health-seeking behaviour, their traditional health care system or the modern medical system.

On the other hand, there was no significant difference in both groups in terms of their perception on the item that asked about encouragement among residents to take part in any medical missions provided by the company \((z = .253, p = .800)\) due to residents’ active support and involvement with the program.

Perception on the Environmental Dimension of the Company’s CSR-SDMP

With respect to the perception of the respondents on the company’s programs that address the protection and rehabilitation of the environment, the results showed that there was a significant difference between the IPs and Non-IPs in terms of their views on the
company’s role in providing regulatory compliance for all aspects of rehabilitation and restoration of the environment \( (z = 4.596, p = .000) \); the company’s compliance in providing for a positive environmental outcome or net environmental benefits \( (z = 5.106, p = .000) \); and their satisfaction in the programs for environmental rehabilitation \( (z = 3.722, p = .000) \). In contrast, there are no significant differences with regard to the company’s role in encouraging its top management and employees in taking part in all environmental initiatives \( (z = .520, p = .610) \); and its role in the development and implementation of effective rehabilitation strategies to ensure that rehabilitation works result in a sustainable, long term land use \( (z = .267, p = .789) \).

**Perceived Social, Economic, and Environmental Impact of CSR – SDMP Programs of the Mining Company**

To measure social impact, some items were included to determine the quality of life of the respondents. The findings indicated that IPs and non-IPs have different perception levels on this dimension which were tested to be statistically significant as obtained in the following data: developed skills of community workers \( (z = 5.265, p = .000) \); improved community relations \( (z = 2.977, p = .003) \); and improved employees’ loyalty \( (z = 2.917, p = .000) \). However, there were no significant differences on the perception of the respondents as to the impacts of the company programs as regard the following: trained potential leaders \( (z = 1.792, p = .073) \); developed responsible citizen \( (z = .176, p = .861) \); medical services provided better access to healthcare and nutrition \( (1.487, p = .137) \); better housing facilities that has improved residents living condition \( (z = .495, p = .620) \); and barangay facilities improved efficiency and effectiveness of the residents \( (z = .273, p = .785) \). Again, the non-IPs, who are socioeconomically advantaged, have higher perception levels than the IPs in this dimension.

The economic impact as perceived by the IPs and non-IPs directly referred to the CSR – SDMP practices of the company for the community stakeholders that promote the economic well-being of the residents surrounding the mining area. The result showed that IPs and non-IPs have different perceptions as to the economic impacts of the CSR projects of the mining company in their lives. Significant differences were statistically established among the respondents with respect to the stability of their family income \( (z = 2.171, p = .030) \); improved employees loyalty \( (z = 2.046, p = .041) \); increased business and trade from neighboring communities and other cities \( (z = 3.906, p = .000) \); increase in revenue tax collection for the LGU \( (z = 2.653, P = .008) \); and improvements of barangay facilities and equipment due to increased economic activities in the area \( (z = 3.107, p = .002) \).

The perception on the environmental impact of the company’s CSR-SDMP would show that there is a significant difference between the respondents under the following items: increased level of environmental consciousness \( (z = 3.759, p = .000) \); increased water and energy use effectiveness \( (z = 2.518, p = .012) \); increased reforestation in mined-out areas \( (z = 2.970, p = .003) \); improved mineral efficiency and production optimization \( (z = 2.869, p = .004) \); and decreased siltation and water contamination \( (z = 2.641, p = .008) \).

In contrast, the respondents did not differ significantly on their views about the environmental impacts of the company’s CSR projects: environmental initiatives of the company decrease impact of climate change \( (z = 1.583, p = .113) \); decreased and managed industrial waste \( (z = .466, p = .641) \); access to clean and healthy water supply \( (z = .208, p = .836) \); and improved healthy living environment \( (z = 1.525, p = .127) \).
The data above would point out that the non-IPs were more environmentally aware than the IPs and were conscious about what the company was doing to rehabilitate the damages that the company has done to the natural resources of the barangay. Perhaps, education is the factor that might explain for the differences in their perceptions. The efforts of the company to compensate for the pressure it does to the environment, like providing potable water resources and reforesting the mined-out areas to restore land and soil quality, however, did not seem to go unnoticed by the respondents. The company should further develop effective information, communication and education on RA 9003 and other environmental laws and policies alongside institutionalization of proper waste management (e.g. waste dump/land filled area and material recovery facility), risk management and preparedness among others.

Perceived Benefits of Company’s CSR – SDMP

It was indicated that significant differences were found between the IPs and non-IPs with respect to the following aspects: education/capacity-building (z = 2.124, p = .006), infrastructure facility (z= 2.765, p = .006), healthcare services (z = 1.795, p = .073), environmental protection and rehabilitation (z = 3.065, P = .002), socio-cultural preservation (z = 3.562, p = .000), and information, communication and education (I.C.E) (z = 3.085, p = .002).

On the other hand, the perceived benefits with regard to livelihood (z = .978, p = .328) and employment (z = 1.126, p = .260) were indicated to be not significant. These were also corollary to the overall results on this aspect which showed that no significant difference was found between the IPs and non-IPs with respect to the benefits they derived from the company’s CSR projects (z = 2.35, p = .085). This generally suggests that despite the significant differences in the perceptions of the respondents of the multiple benefits of the CSR projects of the company, on the whole, both the IPs and non-IPs have seen to have experienced relatively similar benefits.

CONCLUSIONS

To support by advocating strategies of corporate social responsibility based on principles and strategies of sustainable development is one thing important. In defining and describing the elements involved in achieving sustainable development of the community is an entirely another matter of concern based on the findings of this study. Sustainable development framework hinges on the intersecting connections of economic goals of a business organization, social development through the improvement of the quality of life of the people affected and ecological integrity of the natural environment. Within the context of a mining industry which is mandated by law to implement programs that benefit the host community through its corporate social responsibility component, there emerge relatively strong partnerships among the business sector, the government through its regulatory functions, and the host community which will absorb, directly or indirectly, the positive or negative impacts of a business activity.

CSR is going beyond compliance to the law to serve and give back to the communities and contribute to its sustainable development. The mining companies believe that provision of a quality education can be instrumental to developing self-reliant communities. It likewise recognizes the school’s pivotal role in helping our Mamanwa brothers and sisters and
better understands activities, its effects to their communities and how they are going to cope and adapt to possible changes brought about by it without losing their cultural identities. The construction of the school building, continuous improvement of its facilities and current faculty support and development are just the beginning of how the company envisions sustainable education for the community. This implies that the mining companies is there not just creating development in the community but also to develop individuals to be educated and become professionals.

The company’s strategies in creating responsive CSR initiatives would be able to significantly contribute towards lasting sustainability through sustained interaction between company’s operations and affected communities. The industry which has inverse impact on environment and society, like mining, should be more concerned about CSR in order to sustain their business operations (Haniffa and Cooke 2005; Jerkins and Yakovleva 2006). The process enables the company to be more responsive about the concerns and priority needs of the communities associated with its operations by means of sustainable engagement. This approach builds capacity within the community stakeholders and enables them to take their part in determining the sustainability of CSR initiatives that aimed at improving or enhancing their quality of life.

In the case of the Mamanwa CSR beneficiaries of the mining company, their immediate needs are economic and social in nature. The sustainable development principle that seems operational in their situation is the provision of jobs, livelihood and employment being the person’s principal human rights stipulated under the United Nations Declaration of Human Rights.

On the other hand, the non-IP respondents are more ecologically aware of the environmental hazards brought about by mining. They also received more economic advantage than the IPs with respect to the privileges they have reaped out of their availment of the company’s CSR programs. However, by implication, these respondents operationally translate their environmental concerns which could be viewed within the purview of applying precautionary and ecological sustainability principles of the sustainable development framework.

**RECOMMENDATIONS**

Exploring pertinent research on how CSR – SDMP initiatives may provide competitive advantage and social impact for distinct mining communities. Thus, a comparative study could be made between impacted neighboring communities within the mining areas in terms of CSR – SDMP practices while incorporation of CSR initiatives varying its grassroots type program, size and scope of social initiative, social impact of CSR – SDMP and other possible effects/results in the application of CSR – SDMP, thereby being able to specify a more general understanding. Currently, there is a high social interest and stakeholders demand for CSR – SDMP to be implemented. However, it is hard to say how sustainable would the initiatives hold. Thus, it would be interesting to pursue this kind of study to compare and analyse if there have been development changes in CSR – SDMP engagement, and why it is so.

Other areas also might focus on investigating the correlation between CSR – SDMP engagement and financial performance in a mining setting to describe how the application of corporate initiatives does affect such mining company performance. There is a need to
strengthen CSR – SDMP policies and system to promote and support for a sustainable, fair allocation and implementation of assistance programs to various stakeholders in the community and other adjacent barangays. Moreover, project planning must take a detour from the usual activity-oriented action planning into a more result-oriented, participatory, strategic planning process that takes into account the experiences and learnings of the past and pro-actively considers the possible future scenario in the context of rapidly urbanizing communities in the mining area to come up with a wide-ranging area development approach. Project implementation most specifically indicates:

1. The mining company, along with the barangay, should establish and improved micro and small enterprise industries with clear, functional, financial and organizational management systems and policies;
2. Establish marketing system of local products and improved provision of basic commodities and services to companies and consumers within and outside the mining community and municipality;
3. Improved basic social services delivery accessible and enjoyed by the people in the communities;
4. The mining company should further develop effective information, communication and education on RA 9003 and other environmental laws and policies alongside institutionalization of proper waste management (e.g. waste dump/land filled area and material recovery facility), risk management and preparedness among others.
5. Increase number and improved quality education from elementary until tertiary level, thereby establishing mechanism for linking graduates to companies needing professional workers; and
6. Improve environmental protection and natural resource conservation through application of sustainable agriculture and other proven agri-based technology for profitable crops, livestock, and fisheries enterprise ventures.
7. Increase the chances for provision of financial support for technical/vocational, and entrepreneurship trainings and services among our Mamanwa brothers and sisters that will enhance their motivation to participate in job and trade opportunities. To make it possible, strengthening collaboration and partnership with line agencies and private entities for the provision of skills trainings and employment opportunities should stabilize system first among others.
8. Among our Indigenous Peoples, protection and respect of socio-cultural values must be strengthened. Hence, P/P/As gearing towards safeguarding the existing socio-cultural values of the host and neighboring communities to promote social cohesion and cultural awareness, and to instill community pride.

Hence, strategic planning should take into account the experiences and learning of the past and pro-actively considers the possible future scenario in the context of rapidly urbanizing mining communities.
REFERENCES


IMPACT OF PSYCHOLOGICAL CAPITAL ON EMPLOYEE SERVICE INNOVATIVE BEHAVIOR: MEDIATING ROLE OF WORK ENGAGEMENT

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ABSTRACT

Based on the theories of conservation of resources (COR) and job demands-resources (JD-R), in this study the researchers examined the influence of psychological capital on employee service innovative behavior by simultaneously examining the mediating effects of work engagement. Data were collected from employees working in the Indian banking industry (n=273) using convenience sampling and self-reported survey methods. Hypothesis testing was conducted using SPSS macro (PROCESS). Results reveal that psychological capital positively influenced employee service innovative behavior. In addition, the results indicate that work engagement mediated the relationship between psychological capital and employee service innovative behavior. The results of the study suggest that managers should seek effective ways for developing employee psychological capital such as making them aware of their psychological resources in order to improve their engagement levels and ultimately enhancing service innovative behavior.

KEY WORDS: Psychological capital, work engagement, employee service innovative behavior, banks, India
INTRODUCTION

Banks are essential for every nation as they contribute to the economic development by expediting the process of business. In the last decade, the world economy has experienced major turbulence due to the bankruptcy of banking organizations which resulted in recession in large economies such as the United States and Europe. Amidst such turbulence, the Indian banking industry has stood strongly and endured. The Indian banking industry has shown remarkable growth in the last decade (India Brand Equity Foundation [IBEF], 2013). It is evident by looking at the Indian banking industry’s domestic credit as a percentage of GDP, which has shown a growth from 57.1% to 75.1% in the period 2002 to 2011. In the year 2010-2011, GDP of the Indian economy was reported as 5.8%, which is expected to reach at 8.1% in the period 2011-2016 (IBEF, 2013). This growing rate of GDP will assist the progress of the banking sector; still, the Indian banking industry will have to be cautious as there are many challenges. The largest challenge which the Indian banking industry needs to focus on is the customers’ expectations of new and advanced services (Shah et al., 2010). Thus, the industry must look for bringing about the innovation in its services (Goyal & Joshi, 2012).

Employees of service organizations are the main pillars for realizing the intended business goals since they are the ones who act as a medium between the services of an organization and its users (Husin, Chelladurai, & Musa, 2012; Bowen & Ford, 2002). Therefore, the service employees are likely to be the most important source of service innovation. The Indian banking organizations are required to work on strengthening the skills of its employees (Balasubramanian et al., 2005). Recent studies in the domain of service sector argued that the behavior of service employees is significant for achieving the intended organizational goals (Dhar, 2015; Garg & Dhar, 2014; Garg & Dhar, in press). This indicates that the banking industry should focus on strengthening the employee service innovative behavior (ESIB) to overcome the challenge of service innovation. In spite of the recognized value of ESIB in the Indian banking sector, the existing literature lacks substantial studies which endeavor to examine the same in the stated industry. The prime aim of the study therefore is to find the ways for influencing ESIB in the Indian banking industry.

Psychological capital (PsyCap) is a key personality concept as it comprises of those four elements, i.e., “self-efficacy,” “optimism,” “hope,” and “resilience,” which reflect the strong character of an individual. Luthans, Youssef, and Avolio (2007a) described PsyCap as “an individual’s positive psychological state of development that is characterized by: (1) having confidence (self-efficacy) to take on and put in the necessary effort to succeed at challenging tasks; (2) making a positive attribution (optimism) about succeeding now and in the future; (3) persevering toward goals and, when necessary, redirecting paths to goals (hope) in order to succeed; and (4) when beset by problems and adversity, sustaining and bouncing back and even beyond (resiliency) to attain success” (p. 3). As per COR theory, individuals who possess high PsyCap can make use of their personal psychological resources (e.g., resilience) to confront challenging circumstances (Hobfoll, 1989) and deliver advantageous job results (Hobfoll, 2002). In tough and demanding situations as in the Indian banking industry, the examination of PsyCap as an antecedent to ESIB may generate valuable insights for both practitioners and academicians.

JD-R theory, advanced by Bakker and Demerouti (2007, 2008), has argued that personal psychological resources influence the levels of employee engagement in a great manner.
which in turn positively influences job outcomes. Thus, since the inception of JD-R theory, work engagement has received increased attention from the academicians for explaining the intervening mechanisms between the relationship of personal psychological resources and work outcomes (Paek, Schuckert, Kim, & Lee, 2015).

Based on the theories of COR and JD-R, this study examines the influence of PsyCap on ESIB by simultaneously examining the mediating effects of work engagement. Consequently, the two main aims of this study are as follows. First, we will investigate the link between psychological capital and service innovative behavior among Indian bank employees. Second, we will assess the mediating nature of work engagement for the link of psychological capital and service innovative behavior. In these aims, we try to develop ways and strategies for influencing service innovative behavior among bank employees.

**REVIEW OF LITERATURE AND HYPOTHESIS DEVELOPMENT**

**PsyCap and ESIB**

The increased competition in the banking industry has resulted in employees wishing to show innovative behavior so that they may contribute toward the organization’s overall innovation process (Shah et al., 2010). The study of Scott and Bruce (1994) defined innovative behavior as “the production or adoption of useful ideas and idea implementation, and begins with problem recognition and the generation of ideas or solutions” (p. 581).

As per the arguments given by COR theory (Hobfoll, 1989), employees must be aware of their personal psychological resources in order to face the challenging situations of the organization. COR theory proposed four types of such resources: personal characteristics, energies, objects, and situations (Hobfoll, 1989). These personal psychological resources act as a source of self motivation which assists employees to accomplish their given typical assignments (Abbas, Raja, Darr, & Bouckenooghe, 2014; Avey, Luthans, & Jensen, 2009). Hobfoll (2002, p. 308) stated that employees who are aware of their personal psychological resources (e.g., resilience) “might be more capable of selecting, altering, and implementing their other resources to meet stressful demands.” Thus employees with high PsyCap may possess enough confidence to face difficult situations and give solutions to the problems arising out of such situations. Furthermore, such individuals can generate innovative and unique solutions whenever required (Jafri, 2012). However, if employees lack personal psychological resources, they find themselves unable to cope with such demanding and typical situations. On the basis of above mentioned argument, it can be assumed that PsyCap influences ESIB in a positive manner. Accordingly, the first hypothesis of this study is as follows:

H1: Psychological capital positively relates to employee service innovative behavior.

**Mediating effects of work engagement**

Schaufeli, Salanova, Gonzalez-Roma, and Bakker (2002) described work engagement as “a positive, fulfilling, work-related state of mind characterized by vigor, dedication, and absorption.” JD-R theory (Bakker & Demerouti, 2008) argues that job-related resources of the employees influence their motivation levels which stimulate them to make discretionary efforts toward the organization. Based on JD-R theory, previous studies have
shown that PsyCap, as a significant element of job-related positive psychological resources, influences employees’ work engagement positively (Yeh, 2013; Bakker & Leiter, 2010). Further, researchers have also shown that service employees, with higher levels of work engagement, perform better and display innovative behaviors (Yeh, 2012; Bhatnagar, 2012). Given that the individuals with high PsyCap possess higher work engagement and the heightened work engagement induce service performance and innovative behavior, it may be assumed that work engagement mediates the link of PsyCap and ESIB. Since the inception of the JD-R theory, many researchers have shown the mediating role of work engagement in the management studies (Bakker & Leiter, 2010). Thus, consistent with the literature and the argument given in this study, the second hypothesis of the study is as follows:

H2: Work engagement mediates the positive influence of psychological capital on employee service innovative behavior.

**Figure 1. Proposed Model**

![Proposed Model Diagram]

**RESEARCH APPROACH**

**Sample Selection and Data Collection**

The method of self-reported survey was applied for collecting the data of all the three constructs, namely, PsyCap, work engagement, and ESIB. Using the method of convenience sampling, data were obtained from employees of the banks located in northern India.

Before distributing the questionnaires, the questionnaire was given to two bilingual specialists separately for converting the questionnaire’s language to Hindi from English, then again to English from Hindi and securing the language’s conversion quality (Brislin, 1970). First, we approached 40 banks, out of which 36 banks allowed us to conduct the survey. Ten questionnaires were circulated to each bank by contacting the respective branch managers. All the banks’ representatives, i.e., branch managers were requested to make ready the employees to participate in the survey process voluntarily. In total, 360 questionnaires were circulated. For achieving a good response rate, we twice reminded the banks through telephone to return the completed questionnaires. Finally, 273 completed questionnaires were obtained meaning the net response rate was 75.83%.
Instruments

The three study constructs were measured by making use of the standard and previously validated scales. Bank employees answered the questionnaires comprising of the three constructs’ items. The questions were labeled as (1) “strongly disagree” to (5) “strongly agree.”

PsyCap

PsyCap was assessed utilizing Luthans, Avolio, Avey, and Norman (2007b) scale comprising 6 self-efficacy items such as, “I feel confident analyzing a long-term problem to find a solution”; 6 optimism items such as, “When things are uncertain for me at work I usually expect the best”; 6 hope items such as, “If I find myself in a jam at work, I can think of many ways to get out of it”; 6 resilience items such as, “When I have a setback at work, I have trouble recovering from it and moving on”. PsyCap has been analyzed as one whole construct, as done in previous studies (Paek et al., 2015)

Work Engagement

Work engagement was investigated utilizing the mini-adaptation of Utrecht Work Engagement Scale (UWES) advanced by Schaufeli and Bakker (2003), including 3 vigor related questions such as, “In my work, I feel I have plenty of energy”; 3 dedication related questions such as, “My work is challenging”; 3 absorption related questions, e.g., “Time flies when I am working”. The present study took work engagement as one complete construct, as taken by other previous studies (Bakker & Bal, 2010).

ESIB

ESIB was assessed utilizing the 6-item scale advanced by Hu, Horng, and Sun (2009): “At work, I come up with innovative and creative notions”.

Data Analysis Approach

Data analysis was conducted using the softwares AMOS 20 and SPSS 20. SPSS 20 facilitates testing of hypotheses and reliability analysis, whereas AMOS 20 was used to analyze the measurement model.

RESULTS

Measurement Model Analysis

The descriptive analysis of the study constructs is presented in Table 1. To check the consistency of the study constructs, confirmatory factor analysis (CFA) was carried out utilizing AMOS 20. CFA results signified a good fit of the measurement model ($\chi^2 = 904.081$, degrees of freedom [df] = 644, $\chi^2$/df = 1.404, $p = 0.000$, GFI = 0.862, AGFI = 0.833, NFI = 0.908, RMSEA = 0.039, CI [confidence interval] = 0.059 - 0.080).

Next, we checked the reliability of all the constructs. All the constructs were found to be reliable as the Cronbach’s alpha values were higher than 0.70 (see table 2); specifically, composite reliabilities came out as 0.923 (ESIB) to 0.970 (PsyCap). Then, factor loadings
of all the items were found to be significant (p < .001). Hence, the convergent validity of the proposed model is confirmed on the basis of the high construct reliabilities and significant factor loadings (Bagozzi & Yi, 1988).

Table 1

*Descriptive Analysis and Discriminant Validity*

<table>
<thead>
<tr>
<th></th>
<th>Mean (S. D.)</th>
<th>Correlation</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>1. PsyCap</td>
<td>1.85 (1.05)</td>
<td>0.762**</td>
</tr>
<tr>
<td>2. WE</td>
<td>2.10 (1.07)</td>
<td>0.512**</td>
</tr>
<tr>
<td>3. ESIB</td>
<td>1.60 (1.06)</td>
<td>0.652**</td>
</tr>
</tbody>
</table>

*Notes.* WE denotes work engagement.

The bold elements in the diagonal line denote the square root of study constructs’ AVE values.

**denotes significance level of 0.01.

Further, we investigated discriminant validity. Fornell et al. (1981) argued that it lies when the square root of the average variance extracted (AVE) values of constructs become higher than their correlation with all the other constructs used in the study. The AVE values and the correlation values presented in Table 1 realized the stated condition.

For determining whether the inter-correlations among the constructs are affected by the common method bias or not, *Harman’s one-factor test* was applied (Podsakoff & Organ, 1986). The analysis exhibited three factors where the first factor explained the highest variance when it was compared with the other two factors. The amount of variance exhibited by the first factor was 49.18% and which is lesser than 50%. Thus, the problem of common method bias was not present.
Table 2.

Reliability and Factor Loadings

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items</th>
<th>AVE</th>
<th>Cronbach’s α/CR</th>
<th>α Factor loadings</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>PC</td>
<td>PC1</td>
<td>0.581</td>
<td>0.973/0.970</td>
<td>0.667</td>
<td>12.358***</td>
</tr>
<tr>
<td></td>
<td>PC2</td>
<td>0.686</td>
<td></td>
<td></td>
<td>12.818***</td>
</tr>
<tr>
<td></td>
<td>PC3</td>
<td>0.623</td>
<td></td>
<td></td>
<td>11.336***</td>
</tr>
<tr>
<td></td>
<td>PC4</td>
<td>0.612</td>
<td></td>
<td></td>
<td>11.074***</td>
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<tr>
<td></td>
<td>PC5</td>
<td>0.620</td>
<td></td>
<td></td>
<td>11.272***</td>
</tr>
<tr>
<td></td>
<td>PC6</td>
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<td></td>
<td>11.394***</td>
</tr>
<tr>
<td></td>
<td>PC7</td>
<td>0.629</td>
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<td>11.486***</td>
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<tr>
<td></td>
<td>PC8</td>
<td>0.768</td>
<td></td>
<td></td>
<td>14.919***</td>
</tr>
<tr>
<td></td>
<td>PC9</td>
<td>0.699</td>
<td></td>
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<tr>
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<td>PC10</td>
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<td>PC11</td>
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<td></td>
<td></td>
<td>16.894***</td>
</tr>
<tr>
<td></td>
<td>PC18</td>
<td>0.841</td>
<td></td>
<td></td>
<td>17.151***</td>
</tr>
<tr>
<td></td>
<td>PC19</td>
<td>0.847</td>
<td></td>
<td></td>
<td>17.314***</td>
</tr>
<tr>
<td></td>
<td>PC20</td>
<td>0.810</td>
<td></td>
<td></td>
<td>16.127***</td>
</tr>
<tr>
<td></td>
<td>PC21</td>
<td>0.826</td>
<td></td>
<td></td>
<td>16.614***</td>
</tr>
<tr>
<td></td>
<td>PC22</td>
<td>0.861</td>
<td></td>
<td></td>
<td>17.790***</td>
</tr>
<tr>
<td></td>
<td>PC23</td>
<td>0.827</td>
<td></td>
<td></td>
<td>16.705***</td>
</tr>
<tr>
<td></td>
<td>PC24</td>
<td>0.807</td>
<td></td>
<td></td>
<td>16.084***</td>
</tr>
<tr>
<td>WE</td>
<td>WE1</td>
<td>0.594</td>
<td>0.929/0.929</td>
<td>0.756</td>
<td>14.329***</td>
</tr>
<tr>
<td></td>
<td>WE2</td>
<td>0.765</td>
<td></td>
<td></td>
<td>14.661***</td>
</tr>
<tr>
<td></td>
<td>WE3</td>
<td>0.791</td>
<td></td>
<td></td>
<td>15.316***</td>
</tr>
<tr>
<td></td>
<td>WE4</td>
<td>0.766</td>
<td></td>
<td></td>
<td>14.628***</td>
</tr>
<tr>
<td></td>
<td>WE5</td>
<td>0.782</td>
<td></td>
<td></td>
<td>15.115***</td>
</tr>
<tr>
<td></td>
<td>WE6</td>
<td>0.772</td>
<td></td>
<td></td>
<td>14.640***</td>
</tr>
<tr>
<td></td>
<td>WE7</td>
<td>0.752</td>
<td></td>
<td></td>
<td>14.225***</td>
</tr>
<tr>
<td></td>
<td>WE8</td>
<td>0.781</td>
<td></td>
<td></td>
<td>15.029***</td>
</tr>
<tr>
<td></td>
<td>WE9</td>
<td>0.772</td>
<td></td>
<td></td>
<td>14.723***</td>
</tr>
<tr>
<td>ESIB</td>
<td>ESIB1</td>
<td>0.668</td>
<td>0.922/0.923</td>
<td>0.858</td>
<td>17.429***</td>
</tr>
<tr>
<td></td>
<td>ESIB2</td>
<td>0.840</td>
<td></td>
<td></td>
<td>16.869***</td>
</tr>
<tr>
<td></td>
<td>ESIB3</td>
<td>0.869</td>
<td></td>
<td></td>
<td>17.806***</td>
</tr>
<tr>
<td></td>
<td>ESIB4</td>
<td>0.841</td>
<td></td>
<td></td>
<td>16.817***</td>
</tr>
<tr>
<td></td>
<td>ESIB5</td>
<td>0.832</td>
<td></td>
<td></td>
<td>16.526***</td>
</tr>
<tr>
<td></td>
<td>ESIB6</td>
<td>0.640</td>
<td></td>
<td></td>
<td>11.529***</td>
</tr>
</tbody>
</table>

Notes. AVE denotes the average variance extracted. CR denotes composite or construct reliability. PC denotes psychological capital. WE denotes work engagement. ***Significance level at p<0.001.
Testing of Hypotheses

Hypothesis testing was done utilizing SPSS macro (PROCESS) (Hayes, 2013). Table 3 shows the results for both the hypothesis of the study. The construct PsyCap was significantly positively linked with ESIB (B = 0.164, t = 14.162, p < 0.001). Hence, hypothesis 1 is supported. Further, PsyCap influenced ESIB positively and indirectly through the effects of work engagement (0.031). The result of SOBEL test represents a significant mediating effect (SOBEL z = 4.240, p<0.001). The result of SOBEL test is confirmed through Bootstrap analysis results (see Table 3), with the confidence interval of 95% (0.013, 0.052). A closer examination of the results reveals that work engagement partially mediated the link of PsyCap and ESIB, since the direct influence of PsyCap on ESIB is significant (B=0.132, t=10.220, p<0.001). Hence, hypothesis 2 is partially supported.
Table 3.

*Regression Outcomes for Mediation on Psychological Capital*

<table>
<thead>
<tr>
<th>Construct</th>
<th>$B$</th>
<th>$SE$</th>
<th>$t$</th>
<th>$P$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total and direct effects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ESIB on PsyCap:</td>
<td>0.164</td>
<td>0.012</td>
<td>14.162</td>
<td>0.000</td>
</tr>
<tr>
<td>WE on PsyCap:</td>
<td>0.195</td>
<td>0.020</td>
<td>9.801</td>
<td>0.000</td>
</tr>
<tr>
<td>ESIB regressed on WE, controlling for PsyCap:</td>
<td>0.161</td>
<td>0.034</td>
<td>4.728</td>
<td>0.000</td>
</tr>
<tr>
<td>ESIB regressed on PsyCap, controlling for WE:</td>
<td>0.132</td>
<td>0.013</td>
<td>10.220</td>
<td>0.000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Value</th>
<th>$SE$</th>
<th>$z$</th>
<th>$P$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect effect</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sobel</td>
<td>0.031</td>
<td>0.007</td>
<td>4.240</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>$M$</th>
<th>$SE$</th>
<th>LL 95% CI</th>
<th>UL 95% CI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect effect</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bootstrap</td>
<td>0.010</td>
<td>0.013</td>
<td>0.052</td>
</tr>
</tbody>
</table>

Notes. $N = 273$. CI = confidence interval, UL = upper limit, LL = lower limit. WE denotes work engagement.
CONCLUSION

This study investigated the effect of PsyCap on ESIB and analyzed the mediating nature of work engagement for the PsyCap-ESIB relationship. The results reveal that PsyCap positively influenced ESIB. In addition, the results indicate that work engagement partially mediated the PsyCap-ESIB relationship. Thus, it can be said that PsyCap increases ESIB directly as well as indirectly through the effects of work engagement.

The combination of the two important emerging variables, i.e., PsyCap and work engagement with ESIB yield valuable theoretical implications and contributions. First, this is one of those rare studies which endeavor to advance the literature of service innovation by examining ESIB in the context of the Indian banking industry. Second, the study identifies PsyCap as a significant antecedent to ESIB as this relationship has never been examined before. Third, the study confirms the mediating role of work engagement by investigating it for the PsyCap-ESIB relationship (which has never been examined before).

The study also has some practical implications for the administration of banking organizations which are trying hard to influence employee job attitudes and behaviors. First, it is essential that banks should recognize the significance of PsyCap and make provisions to assist its employees in developing, maintaining and preventing the loss of it. The employees can increase, maintain and protect their self-efficacy, optimism, hope and resilience in a better way by the process of learning. Avey et al. (2009) discussed that various training programs can do well for enhancing the four dimensions of PsyCap. Furthermore, more comprehensive training and development programs covering the aspects of PsyCap, work engagement and ESIB can even be more influential and effective. Such thorough training and development programs can result in employees learning to face future difficulties by increasing the levels of PsyCap, and result in them experiencing higher levels of work engagement and influencing their positive job and organizational behaviors. The experiences of such training programs will make bank employees ready to set higher levels of performance goals such as displaying innovative behavior. Next, the developmental programs can be viewed at the group and organizational level such as the support from supervisors and organization, since the social capital largely influences the employees’ positive job behaviors (Larson & Luthans, 2006). In addition, banks could also emphasize to look for the positive psychological factors among the individuals at the time of the recruitment and selection process. Such initiatives not only will result in the hire of candidates with high PsyCap but also give an important message to the potential individuals that PsyCap is an essential requirement for growing and sustaining in the banking environment, stimulating them to increase and maintain high levels of PsyCap.

The present study also has valuable suggestions for future studies. First, future researchers should focus on examining ESIB in order to advance the service innovation literature, since banking is important and required for every nation’s economy. Second, the proposed model of this study should be examined in different industries, so as to generalize the results of this study. Third, future studies can shed light on cultural aspects by comparing the results among different national contexts. Fourth, unlike the present study, future studies can collect data by using more than one source to avoid the issue of common method bias. For example, ESIB can be measured from the supervisors’ viewpoint. Last, to determine the real cause of job outcomes examined in the study, longitudinal research design should be adopted instead of cross-sectional design.
REFERENCES


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SINGAPORE’S UNIVERSAL PERIODIC REVIEW: CIVIL SOCIETY PERSPECTIVES

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ABSTRACT

This paper examines the role of civil society organizations (CSOs) in relation to the UPR in Singapore. It studies the consultations and actions taken up by CSOs in Singapore and assesses their intervention into this mechanism. The study undertakes a content analysis of key documents submitted to UPR process in 2011 and 2016; these include the national report, compilation of UN information and summary of stakeholders’ information, questions submitted in advance and the outcome documents. The authors also analyzed the individual submissions of CSOs and NGOs that were amalgamated into the stakeholder summaries. To supplement the content analysis, 10 semi structured interviews were conducted with civil society activists who have engaged with the UPR. Findings suggest that from the perspective of CSOs, the UPR mechanism is not effective in addressing human rights lapses in the city-state.

KEY WORDS: Universal Periodic Review (UPR), civil society, human rights, protection, Singapore

INTRODUCTION

In 2016, Singapore’s Ambassador-at-Large Chan Heng Chee, who led an inter-agency delegation to Geneva, Switzerland for the city-state’s second cycle of the Universal Periodic Review (UPR), remarked, “UPR is not an occasion for the international community to sit in judgment of one of its members. It is a conversation among peers.” (December 11, 2015, Channel News Asia) After the review, she went on to proclaim that the outcome of the second UPR was ”good” as the majority of the 113 states commended the Republic. (28 January 2016, Channel News Asia)

In 2011, when Ambassador-at-Large Ong Keng Yeong led the Singapore inter-agency delegation to the first UPR cycle, a statement from the Singapore’s Ministry of Foreign
Affairs (MFA) attributed the following remarks to him, “Singapore welcomes the UPR process as an opportunity to exchange views with our citizens, civil society organisations and fellow UN member States on our achievements and challenges in the area of human rights.” (3 May 2011, Ministry of Foreign Affairs, Singapore). After the review, an MFA statement noted that 54 member and observer States spoke and noted the “substantial progress” made in Singapore (8 May 2011, Ministry of Foreign Affairs, Singapore).

The comments above set the statist context around the UPR process and how Singapore highlights through its local media that member states in their majority have congratulated the city-state on its human rights record. In fact the number of states participating in the interactive dialogues during Singapore’s review increased over the two cycles. In the 1st cycle in 2011, 54 states participated, while in the 2nd cycle in 2016 was 114 (International Commission of Jurists) However, concerns raised by members are usually dismissed. For instance, Ambassador Chan in 2016 said, “There are off course the usual recommendations urging us to abolish the death penalty and to sign more human rights conventions. But it is up to the state whether they want to accept or reject the recommendations.” (28 January 2016, Channel News Asia) The statist nature of the UPR process is one of its key features alongside it being the first UN mechanism to provide a comprehensive perspective of the human rights situation in each country by addressing a full range of human rights.

Singapore has undergone two cycles of the peer review process at the Human Rights Council, but what has the role of civil society organisations (CSOs) been in the process? In 2011, Ambassador Ong said in this opening address to the UPR that Singapore welcomes a dialogue with our citizens, civil society organisations and member states. In the month before the January 2016 review, the Singapore media reported that since the 2011 review, the Government had initiated consultation with CSOs. Given that CSO engagement has been highlighted, what has the impact of CSOs on the UPR process and human rights issues over the two cycles? Have CSOs been able to shape the protection of human rights in Singapore?

CSOs have several points of entry into the UPR process First, pre-UPR, CSOs can lobby their national governments or participate in government consultation process with CSOs. Second, they can submit information to the “Summary of stakeholder’s information” (Stakeholder Summary) compiled by the UN. This summary report along with the National Report prepared by the State under review and the compilation of UN information shape the interactive dialogue between states. Third, before the interactive dialogues, CSOs can make their way to Geneva to lobby governments to speak on issues on their behalf. During the interactive dialogue, CSOs which hold consultative status with ECOSOC can be accredited to attend as observers. Fourth, CSOs can make statements at the regular session of the Human Rights Council when the UPR outcome document is being considered.

This paper examines the role of civil society organizations (CSOs) in relation to the UPR in Singapore. It reviews CSOs stakeholder written submissions and assesses their interventions into the UPR mechanism. The study is based on a content analysis of key documents submitted to UPR process in 2011 and 2016; these include the national report, compilation of UN information and Stakeholder Summary information, questions submitted in advance and the outcome documents. To supplement the content analysis, 10 semi structured interviews were also conducted with local civil society activists who have
engaged with the UPR. Findings suggest that from the perspective of CSOs, in spite of the Singapore government’s claims, the UPR mechanism is not effective in addressing fundamental human rights lapses in the city-state. The findings also suggest that while there are significant challenges, CSOs have become increasingly strategic is their engagement with the process. This study also raises the larger issue of the effectiveness of the UPR process and a human rights mechanism.

**SINGAPORE CSOS AND THE UNIVERSAL PERIODIC REVIEW**

Singapore has undergone two UPR cycles. The first one on 6 May 2011 led by Ambassador-at-Large Ong Keng Yeong. On that occasion the city-state was the 168th country to be reviewed. In 2011, the troikas for Singapore’s review were Bahrain, Djibouti and Spain. In this review Singapore received 112 recommendations, and it supported 61 in whole, 23 in part and rejected 28 recommendations.

The second review was on 27 January 2016. Ambassador-at-Large Chan Heng Chee led an inter-agency delegation (comprised of civil servants from 11 ministries and government agencies). In 2016, Singapore was the 14th country to be reviewed in the 24th session of the UPR Working Group and the troika for this review comprised of Botswana, Ecuador and Maldives The Working Group’s draft report, which provides a summary of proceedings, indicated that Singapore received 236 recommendations and that it will respond to these by the thirty-second session of the Human Rights Council in June 2016.

Singapore's first UPR in 2011 saw only two CSOs - Maruah and Think Centre - in Geneva. In 2016, five CSOs headed to Geneva, Switzerland. These included LGBT groups Oogachaga and Sayoni, migrant worker advocates Humanitarian Organization for Migration Economics (Home), anti-death penalty group Second Chances and human rights advocates Maruah. Sayoni, Second Chances and Home also represented a coalition of 10 local NGOs that includes Aware and Think Centre. This increase of Singapore CSOs in Geneva during the second cycle is also reflected in the number of groups listed in submissions to the Stakeholder Summary.
Table 1.

<table>
<thead>
<tr>
<th>Number of CSOs Listed in Stakeholder Summary Report</th>
<th>2011 - Cycle 1</th>
<th>2016 - Cycle 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total no of CSOs listed</td>
<td>23</td>
<td>35</td>
</tr>
<tr>
<td>International CSOs</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>Local CSOs</td>
<td>14</td>
<td>20</td>
</tr>
</tbody>
</table>

Source. OHCHR.

In 2011, the overall number of CSOs listed as contributing to the Stakeholder Summary was 23, 14 were Singaporean and 9 international. In 2016, it was 35, 20 were Singaporean CSOs and 15 international. The overall increase in the total number of groups involved in submissions to the Stakeholder Summary also mirrored the increase in CSO submissions to the same.

Table 2.

<table>
<thead>
<tr>
<th>CSO Submissions Integrated into the Stakeholder Summary Report</th>
<th>2011 - Cycle 1</th>
<th>2016 - Cycle 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total No. of Submissions</td>
<td>18</td>
<td>22</td>
</tr>
<tr>
<td>Individual Submissions</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>Joint Submissions</td>
<td>5</td>
<td>8</td>
</tr>
</tbody>
</table>

Source. OHCHR.

In the 2011 review, there were a total of 18 submissions, five of these were joint submissions and 13 individual. Among the individual submissions, 6 were by international CSOs and 7 by local CSOs. For the joint submissions 1 was from international CSOs and the remaining 4 were joint submissions by local CSOs. The 2011 Stakeholder Summary also included the independent members of civil society who contributed to a joint submission. In 2016 the number of CSO submissions increased to 22; 14 of these were individual submissions while 8 were joint submissions. 9 of the 14 individual submissions were from international CSOs while 5 were from local groups. There was also an increase in the number of joint submissions; four were submissions by local groups, one was an international CSO joint submission and the remaining 3 were submissions made by partnerships between local and international CSOs.

In comparison between the first and second cycle there was an overall increase in the number of submissions as well as greater cooperation among local CSOs as well as between local and foreign CSOs. These submissions are often a counter narrative to the human rights situation presented in the report by the State under review.
RESEARCH ON CSO INVOLVEMENT IN THE UPR

A review of the existing literature on CSO engagement with the UPR reveals certain problems with the process, as well as regional and country specific challenges. Schokman & Lynch contrast the peer review style of the UPR with the treaty body system and the special procedures both of which comprise independent experts (2014). They suggest that states have almost unanimously accepted the system, pointing to the increased number of states participating in each review and actively asking questions (2014). While the process is inherently statist, there are avenues for CSO engagement. Some argue that by creating a formal process for CSOs to engage with the UPR through the submission of documents the UPR has legitimized CSO engagement with the international human rights regime and spurred civil society participation within the UN (Chauville, 2014). Furthermore, the simplicity and regularity of the process allows CSOs to plan ahead and by becoming involved in the acts of gathering data, writing reports, coalition building, CSOs develop their capacity and are more likely to engage with other mechanisms such as the treaty body and special procedures (Chauville, 2014). While the role of CSOs in the UPR is already somewhat restricted, there is some evidence to suggest efforts to ringfence the contributions to the Stakeholder Summary and limit access to the individual and joint submissions from which the Stakeholder Summary is prepared. Chauville points to the fact that access to the full CSO submissions is made available via a small link in the footnote on the OHCHR page which lists the relevant documents for each country’s review, a compromise OHCHR came up with after complaints from some States that the review ought to be limited to the 3 main documents only (2014). Chauville also identifies other attempts to limit CSO input for example by holding national consultations after the preparation of the report, arranging for voluminous submissions by GONGOs and enrolling supportive CSOs to speak during the session at the adoption of the Working Group report by the HR (2014). There have also been incidents of reprisals against human rights defenders who participated in the UPR in the case of Rwanda, Bangladesh and Bahrain (Chauville, 2014).

ASEAN does not have a formalised engagement with the URP, with the regional organisation and its human rights body-the ASEAN Intergovernmental Commission on Human Rights (AICHR) not making any submissions. Nevertheless ASEAN has begun to impact the process through workshops for CSO capacity building and the sharing of experiences (AICHR, 20 September 2014). There have also been calls for ASEAN Member States to share their UPR reports and treat them as ASEAN documents (The Nation, 28 April 2014). A review of the regional postures toward the UPR revealed that when dealing with countries in their region, southern states in Asia and Africa tended to take a softer approach (McMahon, 2010). This runs in contention to the perspective that the UPR accords States greater freedom to make decisions, unlike within the HRC and the UN General Assembly where regional affiliations rule (McMahon, 2010).

While there has been considerable scholarship on civil society in Singapore, the actual content of the discourse has been rather hegemonic (Lyons & Gomez, 2005). Many arrive at the conclusion that civil society is a state sanctioned and curated sphere that arose in response to middle class demands for greater political liberalisation (Check citation). It is widely characterised as a homogeneous space with two general types of interactions – collaborative civic partnership dominated by VWOs and a more marginalized sector where independent NGOs operate (Chua 2000). This perspective fails to take into account the way in which these independent NGOs have developed and how their interaction with the
State has evolved, they are instead painted with the broad brush of being a forum for alternative voices rather than as agents of change (Brich & Phillips, 2003). A third gap in the scholarship on Singaporean civil society is that most of the discussions are limited to Singapore, disregarding connections to regional and international networks, organisations and processes (Lyons & Gomez, 2005). Civil society coalition building in the form of organisational or institutionalised coalitions within the human rights movement are a relatively new development in the field (Ortmann, 2012). According to Ortmann, despite their better efforts these coalitions remain very fragile and tend to define their mandates narrowly because of the posture of the state (2012). Another way in which we see the overarching influence and pressure of the state in civil society space is through co-opting mechanisms and the strategic liberalisation to allow for greater public participation and political activities and which would not challenge the government’s position or agenda (Ortmann, 2012). In this structure, civil society is not common neutral space but rather the government is the neutral arbiter (Ghani & Koh, 2011) Strategic liberalisation efforts and the role of the internet as a mobilising tool have made the process of coalition building significantly easier (Ortmann, 2012). The first cycle of UPR process in fact spurred the formation of the broadest civil society coalition at that point; Coalition of Singapore NGOs (COSINGO); which comprised groups from a broad spectrum of issue areas (Ortmann, 2012).

**CONTENT ANALYSIS OF UPR DOCUMENTS**

A review of the 3 reports that frame the interactive discussion for each cycle; namely the National report, the UN Compilation and the Stakeholder Summary, reveals that a range of human rights concerns have been raised. However, the following issues pertaining to the migrant workers, LGBTI people, death penalty, arrest and detention and fundamental freedoms have been substantially and consistently raised over the two cycles. There have been positive developments on some issues while on others we see the State continuing to maintain the same line of response claiming exceptionalism. On the part of the CSOs between the first and second cycle there has been more coalition building around specific issues and greater efforts have been taken to highlight the intersectionality of issues.

The State’s position on the death penalty was laid out very clearly in the first cycle - that the death penalty remains legal under international law, it is applied only in the most serious cases and that it views the death penalty as a criminal justice issue rather than a human rights one. In the first cycle, CSOs highlighted a number of substantive issues with regards to the application of the death penalty for example the use of the death penalty for a broad spectrum of offences including drug related offences, the existence of a mandatory death penalty and the lack of information on the number of death sentences. In the time between the 1st and 2nd cycle there was a review of the legislation during which a moratorium was in place. Later amendments were made to the mandatory death penalty regime to allow for a life sentences in cases where strict criteria was met. CSO submissions for the second cycle adopted a more tailored approach by focusing on more specific issues alongside general condemnations of the use of the death penalty. For instance CSOs brought to light the fact that there was no express legal prohibition against the execution of persons who are mentally ill at the time of execution and that the Cabinet was not obliged to consider the accused’s representation when considering if clemency should be granted. CSOs also highlighted procedural inadequacies such as the lack of sufficient notice of execution given to inmates and their families.
On the issue of arrest and detention without trial, in the first cycle the State’s position has been that preventive detention without trial is used as a measure of last resort and that there are checks and balances in place to prevent arbitrary use or abuse. It also laid out that preventive detention has been effectively used to thwart terrorist attacks and indicated that in some cases the detention had achieved rehabilitation and subsequent release. CSO submissions during this first cycle stated that preventive detention laws provided the State with unchecked powers and that such detention without trial was arbitrary. CSOs also highlighted that the Criminal Law (Temporary Provisions Act) allowed for detention without trial for up to 12 months and that this period could be extended indefinitely, making it more problematic. In the 2nd cycle, the national report did not touch on the issue specifically but instead made general statements on the fair and robust nature of the criminal justice system as well as rehabilitation being a part of the penal philosophy. CSOs on the other hand continued to raise the issue as a key human rights concern by elaborating on the points raised in the 1st cycle. Firstly they highlighted that powers for detention without trial exist under three different pieces of legislation; the Internal Security Act, Criminal Law (Temporary Provisions) Act and the Misuse of Drugs Act. Secondly the CSOs pointed out that there have been reports of violence and mistreatment those held under ISA detention. Thirdly CSOs indicated that such powers had been used against civil society activists and finally CSOs questioned the efficacy of the purported checks and balances in place given that the processes for renewing detention orders is limited to the executive branch.

The trajectory of the issue of fundamental freedoms has by and large remained consistent throughout both cycles, with the State taking the position that Singapore’s diverse demographic required that State balance the need for social harmony with the rights of individuals. CSOs have stated that the significant restrictions on fundamental stifle the enjoyment of these rights and that critics of the government were particularly at risk for sanction.

The challenges faced by migrant workers and foreign domestic workers was raised in both reviews and along with LGBTI rights, was one of the hot topic issues of the 2nd cycle. The National report for the 1st cycle laid out the legislative and administrative framework in place governing the treatment of foreign workers and discussed the monitoring and evaluation framework in place to deal with errant employers and foreign workers in distress. In addition to these measures, the State indicated that it took efforts to educate foreign workers about their rights, responsibilities and avenues for assistance, and that this information what made available in workers native languages. The State also outlined with partnership with other stakeholders particularly the State affiliated Migrant Worker Centre which oversees the welfare of foreign workers. In addition, the National report intimated that CSOs working on migrant worker welfare regularly provided feedback and suggestions to the State. CSOs in the 1st cycle were critical of the legal and administrative framework which they stated fell short of providing an effective system for seeking redress and for protecting the basic workers rights of foreign domestic workers. CSOs raised the need to ensure adequate and decent living conditions by better enforcement of the standards in place for migrant workers and establishing minimum standards for foreign domestic workers. The Stakeholder summary also espoused the need to provide basic medical care and treatment for those diagnosed with a disease, on the basis of a right to health.
The rights of migrant workers were also raised under sections on the freedom of movement, right to privacy, marriage and family life, right to organise and collectively bargain; this made it clear that not only were the migrant workers work rights not effectively protected but that their enjoyment of a whole range of human rights was impacted. In the National report for the 2nd cycle, the State addressed a number of these issues that had been previously raised by CSOs and outlined the steps they had taken to improve the situation. For instance foreign domestic workers were granted a mandatory day off, new legislation was enacted to ensure the adequate living standards for migrant workers housed in dormitories and additional protections were put in place to educate foreign domestic workers about settling in and on their employment rights. In the 2nd cycle, the level of analysis by CSOs was deeper as evidenced by the fact that they were able to highlight how structural problems enabled the violations to occur. For example the employer sponsor model for employment and industry practices gives employees a great deal of power over their employees thus affecting not just freedom of movement and living conditions but the ability to change jobs. Specific mention was made of the ineffective enforcement of the existing legislation on working hours, overtime pay, withholding passports and accommodation requirements In the 2nd cycle evidence was provided about the lack of due process in the deportation of migrant workers and the negative impacts and possible unintended consequences of of certain policies was also raised. For example female worker permit holders faced deportation for being pregnant and this consequently led to cases of workers attempting to terminate their pregnancies secretly with dangerous self administered drugs. In addition to reiterating the spectrum of rights violations highlighted in cycle 1, the cycle 2 report added the challenges immigrants face when it comes to the administration of justice and freedom of religion.

The importance of the Stakeholder report and the contributions of the CSOs is most clearly evident when we consider LGBTI rights. The National report in 2011 made no mention the LGBTI community at all, the matter was raised in the UN and Stakeholder summary reports. In the first cycle, the CSOs representing LGBT interests stated that there was no legislation forbidding discriminatory practices in employment and that prejudice against LGBT individuals often resulted in discrimination. CSOs noted the continued criminalisation of consensual private sexual activity of adults of the same sex and despite the fact that the law was not enforced - though the CSOs did point to instances of men being prosecuted after being caught in intimate situations in public. The State addressed the matter during the interactive dialogue in the 1st cycle, stating that all individuals were free to pursue their lifestyles, LGBTI individuals did not have to hide their sexual orientation for fear of recriminations and that Singapore remained a conservative society and that this could not be changed by legislation alone. In the second cycle, the National report, indicated that the criminalisation of homosexuality had been debated in Parliament which opted to retain it, and that two legal applications made to challenge the constitutionality of the law resulted in the Court of Appeal upholding its constitutionality in both cases. The National report went on to discrimination of LGBT individuals at school or in the workplace and reiterated that Singaporean society continued to have a conservative outlook and that countries ought to be allowed to deal with sensitive issues based on their socio-cultural context. Intersex individuals were not mentioned in the State report. The CSOs report however, adopted a more inclusive approach by broadening the LGBT terminology that had been used in the previous cycle to LGBTI, though no specific mention was made of the particular challenges affecting intersex individuals in Singapore. As with the approach
taken in discussing migrant workers rights, the CSOs covering LGBTI interests raised the problem structural discrimination and State’s unwillingness to recognise sexual orientation as a grounds of discrimination. They then pointed to a pointed to a broad spectrum of violations of the right to work, in the administration of justice, freedom of association, the right to health and education as well as the skewed portrayal of LGBTI individuals in the media.

In contrast with the first cycle, we see that the submissions form CSOs on the key issues have taken a more nuanced approach. The reports suggest a deeper understanding and a more technical approach in dealing with those issues.

**ANALYSIS OF CSO INVOLVEMENT WITH THE UPR**

When we do a cross comparison between the type of CSO (International or local) and the type of report (individual submission) contributed, we see that the number of international CSOs submitting individual reports has increased from 5 to 9 between 2011 and 2016, while the number of local CSOs submitting individual reports has decreased from 7 to 5 over the two cycles. The number of joint submissions for local and international CSOs has remained consistent with 4 local and 1 international joint submission in each cycle. A new addition in the 2016 cycle was joint submissions between local and international counterparts; there were 3 such submissions. These joint submissions involving local and international CSOs centered on common areas of work between the organisations. For instance the World Alliance for Citizen Participation (CIVICUS) partnered with MARUAH on a submission about restrictions on civil society space and freedom of expression. The other two joint submissions done in partnership between local and international organisations covered LGBTI issues and media freedom.

The five issues that have been identified in the preceding section to some extent have been on the UPR agenda because of the work and efforts of these special issue entities. There has been a proliferation in the number of local LGBTI groups participating in the UPR process from just People Like Us in 2011 to 7 in 2016 - Oogachaga, Pink Dot SG, Project X, Sayoni, Safe Singapore, Bear Project and Young and Out. In addition to this, two foreign LGBTI CSOs also contributed - Kaleidoscope Australia Human Rights Foundation and Sexual Rights Initiative. The involvement of multiple stakeholders, representing individuals from across the LGBTI spectrum clearly paved the way for the human rights issues affecting the community to be brought to the forefront in 2016.

Following the session in Geneva, both international and local CSOs also made effective uses of the media to evaluate Singapore’s performance and respond to the positions taken by the State. This again helped frame a counter narrative in the media; as there were representations by the State that its pragmatic approach to human rights had received significant endorsement (28 January 2016, ChannelNewsAsia) CSOs also used the opportunity to ask for additional information for instance on how the ISA is used and who falls under its jurisdiction.

**CONCLUSION**

The UPR aims to improve the human rights situation on the ground in all countries through engaging in interactive and constructive dialogue on their respective human rights situation. In Singapore, we can see the process is very much a State centric one. Civil
society organisations (CSOs) have tried to participate by providing individual and joint submission. To date the findings suggest that have not been effective around the key issues. Nevertheless Singaporean CSOs both individually, collaboratively and in partnership with INGOs are very much engaged with the process, in the preparation of reports to inform the review as well as in making statements when the outcome of the review is being considered. These CSO interactions with the UPR give them the opportunity to flag key human rights issues as well as present a counter narrative to the human rights situation as laid out by the State under review.
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MANDATORY INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ADOPTION AND LEGAL ENFORCEMENT OF THAI FINANCIAL REPORTING STANDARDS (TFRS) FOR LISTED COMPANIES

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ABSTRACT

In this study, the researcher aims to explore issues regarding Thai Financial Reporting Standards (TFRS), according to International Financial Reporting Standards (IFRSs). The issues include: (a) the significance of corporate governance; (b) what is mandatory IFRS adoption in Thailand?; and (c) what are the legal enforcement mechanisms in Thailand if listed companies fail to fully comply with TFRS? The study revealed that the financial reporting prepared by accurate, comprehensive, and proper disclosure in accordance with IFRSs is a crucial factor in increasing the trust among international and local investors. Financial statements made in compliance with IFRS will promote reliability, comparability, better economic decision-making, and relevance. In Thailand, the Federation of Accounting Professions has adjusted TFRSs to be in accordance with IFRSs, for publicly accountable entities. Meanwhile, the Office of the Securities and Exchange Commission has the authority to issue rules and regulations, especially managing financial reporting standards and full public disclosure that is accredited globally. Furthermore, the Board of Directors should have more oversight in order to fully implement the standards.

KEY WORDS: Listed Companies, Mandatory International Financial Reporting Standards (IFRS) Adoption, Thai Accounting Standards, Legal Enforcement of Thai Financial Reporting Standards (TFRS)

INTRODUCTION

There is a need for all listed-and non-listed companies in the global capital market to converge their financial reporting to meet the universal standards in preparing their financial statements. Accounting standardization is an indicator of international standards among countries with different institutional frameworks and law enforcement. This will allow comprehensive and accurate investigation whether, and to what extent, accounting regulation per se can affect the quality of financial reporting and lead to convergence in financial reporting that promote trust and credibility among investors (Palea, 2013).

LITERATURE REVIEW

Adoption of international accounting standardization has been implemented in several Asian countries. Vichitsarawong (2015) found that in India, after IFRS adoption, the accounting figures supported more accurate profit and cash flow forecasts as well as being more useful for predicting positive future stock returns; however, in China, the study found no relationship between the accounting system and forecast of investment returns. This might reflect Indian’s stronger accounting system, law enforcement, and investor...
Protection compared to China’s. Protection of investors was a significant benefit of accounting standardization. Common law countries in Europe had the best legal protection for investors (La Porta, Lopez-de Silanes, Shleifer, & Vishny, 1996) and accounting standards derived from common law (UK, USA, and IAS) were widely viewed as being at a higher quality than those derived from the code law standard. However, Ball (2006) revealed that preparer’s incentives imply low quality of accounting standardization. He said that IFRS adoption was an indication of the comprehensiveness and the high quality of the IFRS standard but there was still a problem with the implementation of IASB with “fair value accounting.” Past studies indicated that a lack of IFRS adoption in many countries may be due to a lack of knowledge of the significance and benefits of IFRS, lack of understanding of the mandatory process and mechanisms of IFRS among Board of Directors and financial preparers, and lack of legal and law enforcement of IFRS.

Thailand has adopted accounting standardization called “International Financial Reporting Standards” (IFRS) and implemented IFRS convergence since 2001. The problem is with enforcement of the law, and whether the responsible constituents such as Board of Directors and financial preparers are well-informed and understand the significance of the IFRS and know the mandatory process and mechanisms that are required to comply with the IFRS. Most importantly, if public companies do not comply with law enforcement, the strengths of the legal enforcement mechanism in Thailand may come into question. This study will increase the requirement for mandatory process and legal enforcement required if IFRS is to be implemented in Thai public companies. The problem statement of this study is derived from the adoption of TFRS after convergence in 2011 and the legal framework and enforcement rules relating to Thai accounting standardization.

RESEARCH QUESTIONS

1. What is the significance of corporate governance?
2. What is mandatory IFRS adoption in Thailand?
3. What are legal enforcement mechanisms in Thailand if listed companies fail to fully comply with TFRS?

RESEARCH OBJECTIVES

1. To examine the significance of corporate governance.
2. To explore mandatory IFRS adoption and adoption process in Thailand.
3. To examine the strengths of legal enforcement mechanisms in Thailand if listed companies fail to fully implement the TFRS.

BACKGROUND AND SIGNIFICANCE OF GOOD GOVERNANCE

During the economic crisis in Thailand of 1997-1999, clear evidence showed companies that practiced low quality corporate governance were characterized by low supervision of Board of Advisors, low internal auditing processes, and ineffective systematic risk management, because board of management did not give significance to financial reporting. As a result, investors might perceive the company’s financial report to have a lack of credibility and reliability, lack full disclosure, lack accuracy and objectivity, and
most importantly, lack quality of auditing from well-recognized auditing companies (Limpaphayom & Connelly, 2004).

Organization for Economic Co-operation and Development (OECD) Principles of Corporate Governance (2015) were developed with an understanding that corporate governance policies have an important role to play in achieving broader economic objectives with respect to investor confidence, capital formation, and allocation. The quality of corporate governance affects the cost for corporations to access capital for growth and the confidence with which those that provide capital – directly or indirectly – can participate and share in their value-creation with fair and equitable terms. Together, the body of corporate governance rules and practices therefore provides a framework that helps to bridge the gap between household savings and investment in the real economy. As a consequence, good corporate governance will reassure shareholders and other stakeholders that their rights are protected (OECD, 2015). The OECD framework of corporate governance includes: (a) ensuring the basis of effective corporate governance framework; (b) right and equitable treatment of stakeholders and key ownership functions; (c) institutional investors, stock markets and other intermediaries; (d) the role of stakeholders in corporate governance; (e) disclosure and transparency; and (f) the responsibilities of the board. OECD stated in the fifth principle of transparency and disclosure that:

Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial reporting. And, the application of high quality accounting and disclosure standards is expected to significantly improve the ability of investors to monitor the company by providing increased relevance, reliability and comparability of reporting, and improved insight into company performance. Most countries mandate the use of internationally recognized standards for financial reporting, which can serve to improve transparency and the comparability of financial statements and other financial reporting between countries. Such standards should be developed through open, independent, and public processes involving the private sector and other interested parties such as professional associations and independent experts. High quality domestic standards can be achieved by making them consistent with one of the internationally recognized accounting standards. In many countries, listed companies are required to use these standards (OECD, 2015, p. 47).

Silmamongkol (2010) claimed that adoption of IFRS in Thailand will result in several significant benefits for financial reporting, including reliability, substance over form, relevance, objectivity, true and fair view, comparability, better economic decision making, and comprehension (See Figure 1). Hence, managing good corporate governance by adopting IFRS according to OECD is a strategy to promote investors’ trust in the financial reporting of listed and non-listed companies.
Asian Corporate Governance Association (ACGA) has the mission to upgrade the quality of corporate governance in public companies and published the report CG Watch 2012: Marketing Ranking. ACGA has evaluated corporate governance of public companies in 11 countries in the Asian region including Thailand and found that Thailand had high score in corporate governance in financial reporting and auditing process (IGAAP).

The World Bank and The International Monetary Fund (IMF) published a Report on the Observance of Standard and Codes (ROSC) in 2008 to examine the accounting standards and financial reporting of 40 public companies on The Stock Exchange of Thailand (SET) and found that Thailand took more than 10 years to upgrade the quality of the financial reporting of the public companies, especially in the formulation of the framework for accounting standardization and auditing process in the public companies in order to comply with International standards. There were improvements in accounting law, accounting professional law, and public company law in respect to financial operation and setup, corporate responsibility, working committee, process and mechanism of accounting standards in order to create accounting standardization in Thailand that would conform to international standards. The primary purpose is to reduce the gap or difference in the accounting standard among different countries. The report indicated that a change in the framework of accounting standard requires a strategy and plan for law enforcement for the new accounting standardization that is effective, practical, and easily enforced. The Office of the Securities and Exchange Commission (SEC) has the duty to establish processes and mechanisms to enforce the accounting standard, while evaluating the quality of auditors is the duty shared between SEC and the Federation of Accounting Professions (See Figure 2).
**Figure 2.** Relationships between the Federation of Accounting Profession and Other External and Internal Organizations

![Diagram showing relationships between SET, SEC, IASB, World Bank/IMF, and Federation of Accounting Profession]


**Relationship between International Accounting Standards and Thai Accounting Standards**

Accounting standards in Thailand have been influenced by the international accounting standard in the United States and developed an accounting standardization known as Generally Accepted Accounting Principles (GAAP) and International Accounting Standard (IAS). In addition, international institutions such as the World Bank, IMF and International Accounting Standard Board (IASB), the Office of the Securities and Exchange Commission (SEC) have enforced the Accounting Profession Act 2004 through the Federation of Accounting Professions to ensure that accounting standards and the Thai auditing processes are consistent with IAS and IASB. The Institute of Certified Accountants and Auditors of Thailand has initiated the new accounting standard in accordance with the IFRS, publicizing the Announcement no. 12/2552 on May 12, 2009 regarding “The Adoption of International Financial Reporting Standard (IFRS).” This was considered to be the beginning of the convergence of Thai accounting standard with the IFRS (Federation of Accounting Professions, 2016).

The IAS was not new to Thailand as it has been implemented for a number of years. The SEC’s Report on Good Corporate Governance on public companies (2004) found that they had adopted accounting standards in line with IAS in the areas of “Equity” “Impairments,” and “Tax Accounting.”

Priejrivat (2007) claimed that IFRS is an international accounting standardization that the majority of the Thai companies have adopted because it reduces the gap between the Principle-Based standard in Europe and Rule-Based standard in the USA. This is the primary reason for the development of a new IFRS so that it will be well accepted in Europe and the United States. The IFRS convergence in Thailand since January 1, 2011 was a new accounting standardization in Thailand. Hence, there is an urgent need to examine the process of enforcement of IFRS in other countries and to compare the process of enforcement in a Rule-Based adopted in the USA and the Principle-Based adopted in the UK. In fact, both countries are in the process of converging the accounting standard to IFRS.
Comparison of Accounting Standardization in USA, European Union and UK

Generally Accepted Accounting Principles often known as “US GAAP” or “GAAP” is an accounting principle adopted in USA, and it has been a required accounting standard that all types of companies in USA will adopt, such as public company, private company, non-profit organization (foundation and association), and governmental institution (federal and state). GAAP was managed by Financial Accounting Standards Board (FASB), which has the authority to initiate and promulgate the accounting standard for public companies, private companies, and non-profit organizations. Governmental institutions will be monitored by two organizations: (a) the Government Accounting Standards Board (GASB) has the authority to monitor government and local institutions in each state; and (b) the Federal Accounting Standards Advisory Board (FASAB) has the authority to monitor central governmental institutions.

Although in the USA there are no specific laws, the U.S. Securities and Exchange Commission will enforce listed public companies such as financial institutions to comply with the accounting standard of GAAP. Although small-medium enterprises (SMEs) were not forced to comply with GAAP, various transactions such as loan approval process from recognized institutions and good money raising process must comply with GAAP. In sum, the U.S. Securities and Exchange Commission is not the organization that initiated the accounting standard. The only organization that has the authority to initiate the accounting standard is FASB for private companies and GASB (including FASAB) for governmental institutions.

In the process of converging US GAAP to IFRS, the U.S. Securities and Exchange Commission initiated a plan and implemented it in 2014. However, there were few issues regarding the differences in the two accounting standards between GAAP and IFRS, leading to a slow pace in the process.

Generally Accepted Accounting Practice often known as “UK GAAP” has been an accepted accounting standard in the UK that financial practitioners have to strictly adopt, as UK GAAP is not only the accepted accounting standard but is also a legal requirement as stated in The Company Act 2006, which is consistent with European Union Law, which includes reporting the balance statement for public disclosure. The accounting standard derived from the Accounting Standards Board (ASB) has been a responsible institution to initiate accounting standard know as Financial Reporting Standards (FRS).

In 2005, the European Union implemented for companies listed on European securities markets that they must make their balance statement in accordance with the accounting standard of IFRS. Hence, it affected listed companies in the UK who had to comply with IFRS. However, UK private and unlisted companies may choose to adopt IFRS or UK GAAP.

Interestingly, the process of converging the accounting standard to IFRS which is characterized by Principle-Based may require more in-depth analysis and decision-making than rule-based standards. This issue will affect the process of financial disclosure, particularly at the early stages, when the adoption of IFRS in Thailand is still considered a new accounting standard and thus was not well informed about or correctly understood by the management and financial preparers in public companies and other private companies.
Process of International Financial Reporting Standard (IFRS) adoption as TFRS in Thailand

The Federation of Accounting Professions, as regulator empowered by the Accounting Act of 2000 and the Accounting Profession Act of 2004, has initiated the adoption process of IFRS as TFRS since 2009 (Figure 3), by setting up the working committee to draft the accounting standard proposed to Accounting Standards Committee, Accounting Standard Screening Committee and proposed to Accounting Profession Supervision Committee Federation for approval. After the drafting of TFRS was approved by the Federation of Accounting Professions, it was promulgated in the Royal Gazette.

**Figure 3.** Process of Mandatory IFRS Adoption as TFRS in Thailand


As shown in Figure 4 and Figure 5, the Federation of Accounting Professions has divided the Thai Financial Reporting Standards according to IFRS as follows: (a) TFRS; (b) Thai Accounting Standards (TAS); (c) Thai Financial Reporting Interpretation Committee (TFRIC); and (d) Standing Interpretation Committee (SIC). In addition, the Federation of Accounting Professions has also further divided the Thai accounting standards into: (a) accounting standard for publicly accountable entities (PAEs), i.e., listed companies; and (b) accounting standard for non-publicly accountable entities (NPAEs), i.e., private companies and registered partnerships.
Constituents involved in the law enforcement process in Thailand

1. The Department of Business Development (DBD), Ministry of Commerce has the duty to monitor and check the financial statements and bookkeepers and analyze financial status of non-listed public company (DBD, 2015).
2. The SEC has the authority to enforce the law in accordance with the accounting standards concerning the preparation of financial statements and to ensure that financial disclosure is consistent with the accounting standard that is globally accepted, as well as the auditing process (SEC, 2015).
3. SET has the authority to monitor financial stability and operation of listed companies as well as to supervise companies to maintain the status of listed companies, in order to ensure the listed companies will be qualified and have good corporate governance. Failure to comply with accounting standard, SEC actions include: (a) a written notification to the Board of Directors and the Management Team, (b) posted as a
non-compliance sign (NC and SP) for investors and seen by the public, and/or (c) the company could be delisted (SET, 2015).

Sanctions

1. The Accounting Act 2000 Section 11 and Section 30-32

Company Limited or Public Company established according to the law must submit a financial statement one month after their financial statement is approved by the Board of Management. If not in compliance with the regulation, the company shall be liable to a fine of 5,000 baht to 50,000 baht.

2. The Accounting Profession Act of 2004 Section 46, Section 49 (3), (4) and Section 70

Accounting professionals that do not practice according to the accounting standard and auditing standard and other standards shall be penalized with administrative punishment and criminal punishment not more than 3 years or shall be liable to a fine not more than 60,000 baht or both.


Section 56 A company which issues securities in accordance with Section 32, Section 33 or Section 34 shall prepare the following financial statements and reports concerning the financial condition and the business operation of the company and submit them to the SEC Office: (a) quarterly financial statement reviewed by an auditor; (b) financial statement for any accounting period examined and for which an opinion has been given by an auditor; (c) annual report; (d) any other reports concerning the information of the company as specified in the notification of the Capital Market Supervisory Board.

The financial statements and reports in accordance with the first paragraph shall comply with the rules, conditions and procedures as specified in the notification of the Capital Market Supervisory Board. In specifying such rules, conditions and procedures, the standards approved by the Board of Auditing Practices in accordance with the law relating to auditors shall be taken into account.

Section 312 Any director, manager, or person responsible for the operation of any juristic person under this Act, who commits or permits another to act so as to: (a) damage, destroy, alter, abridge, or falsify accounts or documents or collateral of such juristic person or related to such juristic person; (b) make false entries or fail to enter any material statement in the accounts or documents of such juristic person or related to such juristic person; and (c) keep incomplete, incorrect, out-of-date, or inaccurate accounts; if such action is done or permitted to be done to deceitfully deprive the juristic person or its shareholders of their rightful benefit or to deceive any person, shall be liable to imprisonment for a term of five to ten years and a fine of five hundred thousand baht to one million baht.
Section 274 Any company which contravenes or fails to comply with Section 56, Section 57 or Section 58(1) or (3) shall be liable to a fine not exceeding 100,000 baht and a further fine not exceeding 3,000 baht for every day during which the contravention continues.

Failure to Comply with TAS before IFRS Adoption in Thailand: A Case Study of Picnic Corp

The criminal culpability of Directors of Picnic Corporation Public Company Limited was a listed company on SET. The Directors of Picnic Corporation Company Limited committed fraud by transferring the company’s profit to other companies outside SET, which was affiliated with the major shareholders of Picnic Corp. The directors nominated a legal entity which, as a subsidiary of the organization, committed fraud by manipulating financial statements, creating public misperception about the revenue and capital of the company, which was misrepresented and falsified in order to deceive the public to believe that the nominated company had a higher revenue and financial stability to pay dividends to investors in the company than it did in reality. The nominated company created fraudulent rental contracts for gas tanks, without any intention to be committed and obligated to the contract, but rather intended to create financial statement manipulation in order to deceive the public that the company has earned a significantly increased profit, by submitting a financial budget for the year 2004 indicating that the company will earn a revenue of 7,350,500,000 baht and will earn a profit of 178,440,072 baht (Priebjrivat, 2012).

This behavior of the company did not comply with the conditions and procedures as stated by the Capital Market Supervisory Board and is considered to be a criminal act. Thus, this criminal act resulted in the directors legal accountable to major shareholders of the public company who are involved or permitted a fraudulent financial statement. The committee or directors representing the legal entity were accountable for the economic and financial losses committed by the legal entity, an act characterized as “White Collar Crime.” On the other hand, the nominated company has committed a legal misconduct for being a listed securities company that did not disclose the financial statements in accordance with the guidelines, criteria, and methods stated by the Capital Market Supervisory Board (Appeal Court of Judgment No. 45, 2007, as cited in Kesaprakorn, 2014).

The Managing Directors were charged with criminal punishment and administrative penalties due to failure to comply with TASs before mandatory IFRSs adoption in Thailand. The Managing Directors were sentenced to 12 years imprisonment. However, the nominated company was liable for a fine only, because a juristic person could not be punished in the same fashion as an ordinary person.

Thus, failure to comply with TASs would be considered as “failure to follow the law.” Hence, enforcing effective and efficient legal measures to manage according to TASs will certainly be a significant factor to enhance legal entities to conduct and disclose accounting with accuracy, completeness, in time, and not leading to misunderstanding among stakeholders (Kesaprakorn, 2014).
RESEARCH METHODOLOGY

This research is characterized by documentary research examining the accounting system in Thailand, financial reporting standards and legal frameworks and legal enforcement. The study examined the case study of Picnic Corp. to explore the significance and consequences of the IFRS if a public company does not comply with the IFRS.

FINDINGS AND DISCUSSION

These findings suggested that the financial statements are required to be prepared by accurate, comprehensive, and proper disclosure in accordance to the IFRS, which are widely viewed as high quality. The financial statements should comport to universal standards that promote comparability and relevance with other Asian and European countries. The Federation of Accounting Profession, as regulator empowered by the Accounting Act of 2000 and the Accounting Profession Act of 2004, has adopted IFRS as TFRS. Also, further changes, revisions or new standards will be adopted as TFRS.

TFRS was based on IFRS and was applied for PAEs, i.e., listed companies. IFRS is not required or permitted for listed companies in Thailand, but listed companies need to comply with Thai Financial Reporting Standards. Meanwhile, the SEC, as key regulator under the Securities and Exchange Act of 1992, has the authority to issue rules and regulations concerning financial report following TFRS, which must be audited by outside auditors. Furthermore, boards of directors duly recognized their duties and responsibilities as the directors of public company for preparing financial statements. Lack of regulators, auditors’ supervision, monitoring, and endorsement may lead to low quality of financial reporting as perceived by investors (Ball, 2006).

In addition to compliance with financial reporting standards, boards of directors should have more oversight and enforcement roles in recommending listed companies to comply with IFRSs for full-and-complete disclosure in order to promote legal measures and enforcement efficiently, leading to credibility and reliability of public companies themselves and future investment in Thailand. Under the IFRS’ Principle-Based and TFRS, the adoption of appropriate accounting policies should be managed with careful discretion and justifiable accounting policy. Boards of directors should disclose adequate significant information about financial statements, together with necessary clarification and analysis regarding the companies’ financial positions and performance. Most importantly, boards of directors are responsible for fair and accurate financial statements in accordance with TFRS. Internal auditors are necessary to enable the preparation of financial statements that are free from fact distortion, whether due to fraud or error.

CONCLUSION

During the economic crisis of 1997-1999, clear evidence showed that companies that practiced low quality corporate governance were characterized by low supervision of by the Board of Advisors, low internal auditing process, and ineffective systematic risk management, because board of management did not give importance to financial reporting. As a result, the investors might perceive the company’s financial report to lack credibility and reliability, lack full disclosure, lack accuracy and objectivity, and most importantly, lack quality of auditing from the auditing firm. Adoption of IFRS as TFRS in Thailand will certainly result in several significant benefits to financial reporting,
including reliability, substance over form, relevance, objectivity, true and fair view, comparability, better economic decision making, and comprehension.

International investment will promote the national development of Thailand, after Thailand has adopted the accounting standardization according to IFRS as other countries have done around the world. It will stimulate public companies whether listed or non-listed to adopt the universal standard. Eventually, listed companies around the world will adopt the same accounting standard that is perceived globally to be the most credible and reliable accounting standard. This global accounting standardization is considered to be a "trust mark" for transparency, corporate governance, and credibility as perceived by investors in their making investment decisions in the security market in various countries, which will eventually lead to higher economic growth.

Thailand has taken more than 10 years to upgrade the quality of financial reporting of public companies, particularly in formulating the framework for accounting standardization and auditing process in public companies in order for them to comply with international standards. There were improvements in accounting law, accounting professional law, public company law, and securities regulation in respect to financial operation and setup, corporate responsibility, working committee, process and mechanism of accounting standards in order to create accounting standardization in Thailand that would conform to international standards.

The research revealed that the financial statement prepared by comprehensive and accurate financial disclosure in accordance to the TFRS after the IFRS adoption process in 2011, was a crucial factor in increasing trust among local and international investors in relations to transparency, corporate governance, and credibility. The financial statement of public companies should adopt the accounting standardization that meets the global standard. The Federation of Accounting Professions is an organization that has legal authority to enforce TFRS in accordance to IFRS by dividing the accounting standards and financial reporting standards, including accounting standards for SMEs. Meanwhile, The Office of the Securities and Exchange Commission has the authority to issue rules and regulations, empowered by the Securities and Exchange Act of 1992, to manage financial reporting standards and full public disclosure that is accredited globally. However, the quality of financial reports according to TFRS depends on the strength of law enforcement with strong investor protection.

Laws governing Thai accounting standards and criminal sanctions are viewed as legal enforcement for public companies in compliance with TFRS (Kesaprakorn, 2014). Thus, failure to comply with TFRS would be considered as a "failure to comply with the law." Picnic Corp. is an example of legal enforcement for a Thai listed company to comply with TAS (before IFRS adoption as TFRS). Hence, enforcing effective and efficient legal measures to manage financial statements according to TFRS will be a significant factor to enhance listed companies to conduct and disclose accounting with accuracy, completeness, in time, and not leading to misunderstanding among stakeholders. Moreover, the Board of Directors should have more oversight and an enforcement role in order to enhance legal enforcement efficiency.
RECOMMENDATIONS

Future research should examine the role of the Board of Directors in Thailand to engage in oversight public company’s financial statements to ensure reliability, true and fair view, and making cost-effective decision making. In addition, future research should examine the role of The Federation of Accounting Professions and The Office of the Securities and Exchange Commission to promote investor protection.
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STRUCTURAL EQUATION MODEL OF MEDIA EXPOSURE, AWARENESS, AND PARTICIPATION IN THE ANTI-CORRUPTION ALLIANCE NETWORKS CAMPAIGN

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ABSTRACT

In this survey research we aim to explore the structural relationship model of media exposure, awareness, and participation in an “Anti-Corruption Alliance Networks” campaign, promoted by the National Anti-Corruption Commission Alliance Networks (NACC) in 2013. One hundred and sixty Thai residents over 20 years old were sampled using multi-stage sampling including simple random sampling and systematic sampling from four regions in Thailand. The data were analyzed by using the Structural Equation Model (SEM) with a statistical significance of 0.05. The results confirmed Thai residents’ media exposure significantly influenced their awareness and participation, respectively. Their media exposure was significantly influenced by exposure via special media, personal media, mass media, new media, and TV spot, respectively. Their awareness was predicted by post-exposure more so than pre-exposure to the campaign. Participation was significantly predicted by post-exposure to the campaign. The SEM analysis confirmed that their awareness did not have a significant impact on participation in the campaign.

KEY WORDS: Structural Equation Model, media exposure, awareness, and participation in Anti-Corruption Alliance Networks Campaign, National Anti-Corruption Commission (NACC)

INTRODUCTION

The 2007 Constitution provided the National Anti-Corruption Commission (NACC) with the power to investigate and prosecute, including cases involving politicians and state officials, and shifts the burden of proof to the defendant. The NACC received numerous complaints related to corruption in local governments. Recognizing these challenges, NACC has identified the vision of The National Anti-Corruption Strategy to create NACC as “[a] society founded on discipline, integrity, and ethics with all sectors participating in the prevention and suppression of corruption” (NACC, 2009).

NACC has conducted public relations campaigns for “Anti-Corruption Alliance Networks,” with the primary goals of: (a) to promote and inculcate awareness on the
causes and effects of corruption in Thailand and the role of NACC in prevention and suppression of corruption, (b) to promote good attitude toward the Anti-Corruption Alliance Networks, and (c) to increase the public participation in the Anti-Corruption Alliance Networks from sectors across Thailand.

The way to prove the value of public relations campaigns was by measuring its impact on the society, community, or organization according to the determined objectives of the campaign (Wilcox & Cameron, 2012). Likitmaskul (2001) examined the effectiveness of public relations campaign for anti-corruption initiatives in changing Thai citizens’ knowledge, attitude, and perceived credibility regarding the problem of corruption in Thailand. Likitmaskul (2001) found that Thai residents with gender difference were exposed to interpersonal media differently while those varied in age and education were exposed to the problem of corruption via mass and interpersonal media differently. Thi-In (2010) revealed that NACC implemented media campaigns according to the anti-corruption policy by using various themes, rhetorical key messages and connotation, and emotional appeals. However, there is no research that has confirmed the relationship among the media exposure, awareness, and participation in the campaign in the forms of the structural relationship model. The findings should create knowledge about public relations campaign measurement and the factors influencing public awareness and participation in the Anti-Corruption Alliance Networks campaign.

RESEARCH OBJECTIVES

1. To explore the structural relationship model of the predictors of public participation in the Anti-Corruption Alliance Network campaign.
2. To examine the influence of Thai residents’ media exposure and awareness on their participation in the Anti-Corruption Alliance Networks campaign.

HYPOTHESIS

Thai residents’ media exposure to the Anti-Alliance Network campaign and their awareness significantly predicted their participation in the campaign.

LITERATURE REVIEW

Definition of Corruption and Types of Corruption Practices

Corruption practices can be defined differently by individuals based on his/her personal qualities, family environment, and media environment. Generally speaking, corruption can be defined as “the misapplication of public resource to private ends” (Salisu, 2000); “an arrangement that involved an exchange between two parties (the demander and the supplier) which (1) had an influence on the allocation of resources either immediately or in the future and (2) involved the use or abuse of public or collective responsibility for private ends” (Macrae, 1982). There were two types of corruption practices: “(1) Vertical corruption, which involved managers and decision makers engaging in the systematic corruption or policy corruption. This was more common in less developed countries like Thailand, and (2) Horizontal corruption, which involved the entire official, informed, and laymen groups in the countries. The two types of corruption should be seriously addressed and eradicated if any meaningful economic or political progress was to be made” (Sowunmi, Raufu, Oketokun, Salako, & Usifoh, 2010). Common vertical and horizontal
corruption frequently found in the organization were bribery, kleptocracy, misuse of state resources for personal gain, failure to fulfill duties, bilateral monopoly and mafia-dominated state, acceptance of valuable gifts, concealing inappropriate administration, misuse of power in the position, using rules and regulations with bias and partiality, election fraud or vote buying, receiving and giving illegal commissions, populist policy in exchange for voting, and donation in exchange for illegal campaigning (Piriyarangsan, 2006). Hence, public participation in the Anti-Corruption Alliance Networks campaign is critically needed to reduce the vertical and horizontal corruption in Thailand. An examination on the predictors of public participation should create a body of knowledge about the strategic model for effective public relations campaign for anti-corruption initiatives.

**Definition of Public Relations Campaign and Measuring Campaign Effectiveness**

Public relations campaigns were goal-oriented communication efforts with persuasive strategies and tactics to reach the specific target of a company or a political party, such as purchasing a product/service, voting for a political party or supporting a legislature, or engagement in an idea or a social change. Larson (2007) pointed out campaigns were different from a single-shot message in that they: (a) should create “position” in the audience’s minds for the product, candidate, or idea; (b) were intentionally designed to develop over time and involved stages for gaining the audience’s attention, preparing them to act, and finally calling the audience to action; and (c) dramatized a product, a candidate, an idea, or an ideology for the audience, inviting members to participate with the campaign and its goal(s) in real or symbolic ways.

Wilcox and Cameron (2012, p. 193) pointed out that a public relations effectiveness yardstick can be implemented to assess the outcomes of campaign goals and strategies. A public relations yardstick comprised of: “(1) Basic level involved measurements of targeted audience impression, and media placement; (2) Intermediate level involved measurement of audience’s retention, comprehension, awareness, and reception; and (3) Advanced level involved measurement of target audience’s opinion change, attitude change, and behavior change. The most widely used methods for evaluating campaign effectiveness were measurement of production, message exposure, audience awareness, audience attitudes, and audience action.”

An evaluation of the media exposure is imperative to measure whether the audiences were being informed and/or were aware of the message. The second or intermediate level of public relations evaluation measure whether target audience actually received the messages, whether they understand the messages, and whether they have retained those messages in any shape or form (Wilcox & Cameron, 2012, p. 202). Public awareness can be defined as “a behavior that reflect the ability to remember, to perceive, and be conscious of events, objects, thoughts, which composed of knowledge and comprehension, feeling, and needs or intention which lead to behavioral change” (Good, 1973). Saisema (2005) defined awareness on nature and environment composed of four aspects, including individual’s knowledge and comprehension on the nature and environment, feeling of love and recognizing the value of environment to oneself and others, concern for the effects and consequences on oneself and society, and involving or engaging in environmental conservation on a voluntary basis. However, there was limited research which focused on the model for awareness and action or engagement on anti-corruption initiatives.
Since awareness was the sum of an individual’s perception about the social environment, which was formed from the experiences and learning process from the social environment, awareness will occur when one experienced a stimulus in the social environment via media exposure, which developed into concept formation, learning process, awareness, and eventually lead to action. Saisema (2005) proposed a model for the formation of awareness as follows:

**Figure 1. Model of Formation of Awareness**

![Model of Formation of Awareness](image)


The Anti-Corruption Alliance Networks campaign can be classified as an idea or ideological campaign which aims to engage or change some behavior of the audience with the ultimate goal of initiating social change by promoting a preventative measure that individuals might take to promote corruption suppression. Using the public relations effectiveness yardsticks of Wilcox and Cameron (2012) as a theoretical framework, this research intends to confirm the relationship and explore how the outcome of the intermediate level might influence the advanced level of measurement, i.e., the influence of the audience’s media exposure to Anti-Corruption Alliance Networks campaign on the audience’s awareness and frequency of participation in the campaign. The results will validate the relationship between the public relations effectiveness yardstick and model of formation of attitude toward the anti-corruption by focusing on the influence of media exposure via various media on awareness formation and the frequency of participation in promoting corruption suppression.

**Impact of Media Exposure on the Audience’s Awareness and Behavior**

Steinberg (2007) defined perception as information which was taken in by the senses, processed by the brain, stored in memory and produced some form of physical or mental response. It is a process whereby we acquired information about our environment through our five senses. We gain information about ourselves and the world we live in through the interaction of these senses with the environment (Steinberg, 2007). We perceive through a frame of references: a set of interlocking facts, ideas, beliefs, values, and attitudes. This frame of reference provides the basis for our understanding of people, events and experiences because it filters our perceptions (Steinberg, 2007). As we receive new information, we evaluate it in terms of our frame of references and either reject it because it does not fit our frame of references (our ideas, values, beliefs, and attitudes) or we make use of it to support or expand our existing frame of reference. Steinberg (2007) concluded that the process of perception occurs in three principal stages: selection, organization, and interpretation. The three stages take place relatively unconsciously and almost
simultaneously. Selection is the stage when we choose only some aspects of information from the environment: those which attract our attention at a given time.

Since different media varied in their nature and characteristics, the perception process of individual would be different, resulting in different level of awareness change and behavioral change (Wilcox, 2012) as posited in Knowledge-Attitude-Practice (KAP) Model (Everett Rogers, 1971 as cited in Sothanasathien, 1990) which hypothesized that an individual’s media exposure was a significant factor which influenced the individual’s knowledge, attitude, and behavior. The nature of the media shaped the perception process: selection, organization, and interpretation. Awareness was being shaped by the sum of the knowledge gained from the media exposure. Mass media including radio and television programs were primarily one-way communication that were less transactional in nature but were very powerful media to create the highest accessibility to the mass audience and create audience’s impression and media placement. Personal media were interpersonal media which recognized the relational aspect of the source and the sender which may use persuasive appeal to create credibility and trust toward the message. Personal media can create honest feedback, recognition, and encouragement at an interpersonal level via face-to-face and mediated communication. Specialized media were a controlled print or audio-visual media used to remind the audience to remember the message such as posters, CD-ROM, leaflets or other event media which the company produced or organized by themselves and thus the company can control the publicity method and audience reach. Television commercial was a paid publicity which aimed to create public’s awareness change due to its persuasive appeal but is a one-way communication in nature. New media promoted the individual’s quest for conversation, the need for real-time performance, and the need for customization.

New media promoted two-way interaction between the individual and the company, leading to engagement and behavioral change (Seitel, 2011). Likitmaskul (2001) revealed that media exposure to television, newspaper, family member, college or classmates, and officers of NCCC were positively correlated to the public’s awareness regarding the problem of corruption and importance of the National Counter Corruption Commission and exposure to the problem of corruption via newspapers, leaflets, family members or classmates were positively correlated with knowledge and performance of the National Counter Corruption Commission (currently known as Office of National Anti-Corruption Commission [NACC]). However, exposure to the problem of corruption from officers of NACC was negatively correlated with their perceived credibility regarding the contents of the corruption and the importance of NCCC.
Participants and Sampling Methods

The population of the survey was Thai residents who were over 20 years old and were currently living in six regions: Bangkok Metropolitan, Central region, Eastern region, North-Eastern region, Northern region, and Southern region. One hundred and sixty samples were selected by conducting multi-stage sampling, using multi-stage sampling including simple random sampling and systematic sampling in the community areas such as markets, department stores, public bus stops. Only 160 respondents were selected to analyze the fitness of the model by analyzing the Chi-Square Analysis. If the sample size is too big or too small, the fitness would not be validated (Nevitt & Hancock, 2004). To analyze the structural relationship model, the sample size should be more than 100 respondents and 10 times to 20 times the variable examined (Schumacker & Lomax, 2010). There are nine variables in the study having 160 samples, with the ratio of 1:18.

Measure and Data Collection Period

The independent variables were Thai residents’ media exposure to the “Anti-Corruption Alliance Networks” public relations campaign. The dependent variables were awareness of the corruption in Thailand and participation in the Anti-Corruption Alliance Networks during the past one year. The data collection took place after the public relations campaign was promoted by NACC from November 16, 2012 to December 31, 2013. All parts of instrument have Cronbach’s alpha of over 0.70 which was considered to have acceptable reliability (Nevitt & Hancock, 2004).

Criteria to Validate the Model

Although the model should be tested for its fitness, the criteria for interpretation included: (a) Factor loading or Beta should not be less than 0.40; (b) Construct Reliability (CR)
should not be less than 0.60; (c) Average Variance Extracted (AVE) should not be less 0.50; and (d) Cronbach Alpha Coefficient should not be less than 0.70 (Nevitt & Hancock, 2004).

Research used the following criteria to validate the fitness of the model based on the data as follows in Table 1:

Table 1.

<table>
<thead>
<tr>
<th>Criteria for Interpretation of the Model</th>
<th>Indicator of Fitness</th>
<th>Criteria for interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative Chi-Square (χ²/ df)</td>
<td></td>
<td>&lt; 3</td>
</tr>
<tr>
<td>p of Chi-Square</td>
<td></td>
<td>&gt; 0.05</td>
</tr>
<tr>
<td>Root Mean Square Residual (RMR)</td>
<td></td>
<td>&lt; 0.05</td>
</tr>
<tr>
<td>Goodness of Fit Index (GFI)</td>
<td></td>
<td>&gt; 0.95</td>
</tr>
<tr>
<td>Adjusted Goodness of Fit Index (AGFI)</td>
<td></td>
<td>&gt; 0.90</td>
</tr>
<tr>
<td>Comparative Fit Index (CFI)</td>
<td></td>
<td>&gt; 0.95</td>
</tr>
<tr>
<td>Root Mean Square Error of Approximation (RMSEA)</td>
<td></td>
<td>&lt; 0.08</td>
</tr>
</tbody>
</table>

RESEARCH FINDINGS AND DISCUSSION

Findings and Discussion of Descriptive Findings

Out of 160 Thai residents who participated in the survey, 58.7% of the sample were female (N = 94) and 41.2% were male (N = 66), aged 20-29 years old (40%, N = 64) and less than 20 years old (21.2 %, N = 34), respectively. In respect to their geographic origin, Thai residents were equally distributed in six regions: Bangkok Metropolitan (19.37%, N = 31), Central region (14.3%, N = 23), Northern region (14.3%, N = 23), North-Eastern region (18.75%, N= 30), Eastern region (19.37%, N = 31), and Southern region (13.75 %, N = 22). The majority of them had completed bachelor’s degree (73.1%, N = 117) and they earned less than 10,000 baht per month (48.37%, N = 79) and earned 10,001-20,000 baht per month (30%, N = 48), respectively. Majority of them are students (44.3%, N = 71) and employees in private companies (20%, N = 32).

Findings of Hypothesis Testing

As shown in Table 2, the descriptive findings show that the interval scale was 1 to 5 with the mean between 0.00 and -3.321, with the exception of participation before and after exposure to the campaign having the scale of -1 to 1 (Standardized). Hence, the mean of participation will be close to 0. The results revealed the mean of each variable as follows: mass media (X̄ = 2.334), personal media (X̄ = 2.014), specialized media (X̄ = 1.958), new media (X̄ = 2.498), TV spot (X̄ = 2.353), awareness before exposing to the campaign (X̄ = 2.792), awareness after exposing to the campaign (X̄ = 3.321), participation before exposing to the campaign (X̄ = -0.001), and participation after exposing to the campaign (X̄ = -0.029).

The SKEWNESS of all variables were between 0.516 to 2.748, and the SKEWNESS of awareness after media exposure was slighted skewed to the left (-0.566), while other variables were skewed to the right while participation before exposing to the campaign had the highest skew to the right (2.748).
The Kurtosis ranged from 0.708 to 9.771 which was rather high, wherein participation before media exposure had the highest kurtosis (9.771). This means that respondents had similar frequency in the participation before exposing to the campaign. Skewness and Kurtosis were used to examine the normality of the variables. Kline (2011) indicated that if skewness exceeded 3 and kurtosis exceeded 8, it means the variables were not normal. Based on these criteria, participation before exposing to the campaign was considered to be abnormal, while other variables are considered to be normal.
Table 2.

<table>
<thead>
<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Mass Media</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.88)</td>
</tr>
<tr>
<td>2. Personal Media</td>
<td>0.554*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.88)</td>
</tr>
<tr>
<td>3. Specialized Media</td>
<td>0.575*</td>
<td>0.730*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.93)</td>
</tr>
<tr>
<td>4. New Media</td>
<td>0.485*</td>
<td>0.558*</td>
<td>0.657*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.86)</td>
</tr>
<tr>
<td>5. TV Spot</td>
<td>0.412*</td>
<td>0.312*</td>
<td>0.410*</td>
<td>0.351*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.86)</td>
</tr>
<tr>
<td>6. Awareness 1</td>
<td>0.388*</td>
<td>0.260*</td>
<td>0.241*</td>
<td>0.201*</td>
<td>0.158*</td>
<td></td>
<td></td>
<td></td>
<td>(0.89)</td>
</tr>
<tr>
<td>7. Awareness 2</td>
<td>0.283*</td>
<td>0.271*</td>
<td>0.241*</td>
<td>0.208*</td>
<td>0.196*</td>
<td>0.672*</td>
<td></td>
<td></td>
<td>(0.93)</td>
</tr>
<tr>
<td>8. Participation 1</td>
<td>-0.037</td>
<td>0.079</td>
<td>0.064</td>
<td>-0.024</td>
<td>0.053</td>
<td>-0.135</td>
<td>-0.091</td>
<td></td>
<td>(0.92)</td>
</tr>
<tr>
<td>9. Participation 2</td>
<td>0.229*</td>
<td>0.237*</td>
<td>0.260*</td>
<td>0.294*</td>
<td>0.122</td>
<td>0.131</td>
<td>0.217*</td>
<td>-0.215*</td>
<td>(0.86)</td>
</tr>
<tr>
<td>Mean</td>
<td>2.334</td>
<td>2.014</td>
<td>1.958</td>
<td>2.498</td>
<td>2.353</td>
<td>2.792</td>
<td>3.321</td>
<td>-0.001</td>
<td>-0.029</td>
</tr>
<tr>
<td>SD</td>
<td>0.897</td>
<td>0.884</td>
<td>0.778</td>
<td>1.153</td>
<td>0.882</td>
<td>0.840</td>
<td>0.913</td>
<td>1.025</td>
<td>1.072</td>
</tr>
<tr>
<td>SKEW</td>
<td>0.258</td>
<td>0.768</td>
<td>0.409</td>
<td>0.324</td>
<td>0.325</td>
<td>0.105</td>
<td>-0.566</td>
<td>2.748</td>
<td>1.589</td>
</tr>
<tr>
<td>KURT</td>
<td>-0.708</td>
<td>0.349</td>
<td>-0.885</td>
<td>-0.865</td>
<td>-0.372</td>
<td>0.196</td>
<td>0.382</td>
<td>9.771</td>
<td>3.953</td>
</tr>
</tbody>
</table>

Notes. * Significance level at $p<0.05$

Awareness 1 means Thai resident’s awareness before exposing to the campaign.
Awareness 2 means Thai residents’ awareness after exposing to the campaign.
Participation 1 means Thai residents’ frequency of participation before exposing to the campaign.
Participation 2 means Thai residents’ frequency of participation after exposing to the campaign.
In respect to the reliability of the questionnaire, the Cronbach Alpha Coefficient of each part was between 0.86–0.93 which is higher than the criteria. In respect to its relationships, Pearson correlation was between 0.000–0.730, the correlation was lower than 0.80 (including mass media x personal media (r = 0.554*), mass media x specialized media (r = 0.575*), mass media x new media (r = 0.485*), mass media x TV spot (r = 0.412*), specialized media x personal media (r = 0.730*), specialized media x new media (r = 0.558*), specialized media x TV spot (r = 0.312*), awareness 1 x mass media (r = 0.388*), awareness 1 x personal media (r = 0.260*), awareness 1 x specialized media (r = 0.241*), awareness 1 x new media (r = 0.201*), awareness 1 x TV spot (r = 0.158*), awareness 2 x mass media (r = 0.283*), awareness 2 x personal media (r = 0.271*), awareness 2 x specialized media (r = 0.241*), awareness 2 x new media (r = 0.208*), awareness 2 x TV spot (r = 0.196*), awareness 2 x awareness 1 (r = 0.672*), participation 2 x mass media (r = 0.229*), participation 2 x personal media (r = 0.237*), participation 2 x specialized media (r = 0.260*), participation 2 x new media (r = 0.294*), participation 2 x awareness 1 (r = 0.217*), participation 2 x participation 1 (r = -0.215*).

In sum, the results confirmed that there was no multicollinearity problem among the latent variables. In respect to the impact of media exposure on their awareness and participation in the campaign, the findings showed that the more Thai residents were exposed to mass media, personal media, specialized media, new media, and TV Spot, they would have a significant higher awareness about the Anti-Corruption Alliance Networks and role of NACC for both before and after exposure to the campaign. Also exposure to mass media, personal media, specialized media, and new media were positively correlated with their frequency of participation after exposing to the campaign at the statistical significance of 0.05. Conversely, their media exposure to all media did not correlate with participation before media exposure. In respect to the impact of awareness on their participation, the findings revealed that the higher awareness they had, the more frequency of participation they will be engaged after exposing to the campaign. However, the Thai residents’ participation before exposing to the campaign is negatively correlated to their participation after exposing to the campaign. These overall findings confirmed there was a significant correlation between media exposure to the public relations campaign and their awareness and participation after exposing to the campaign.

When analyzing the components of the latent variables of media exposure, awareness, and participation, the findings revealed that all latent variables fit into the data as indicated in Figure 3 to Figure 5.
Figure 3. Fitness of Media Exposure and Its Observed Variables

Notes. Standardized estimates

\[ \chi^2 = 4.700 \ (4 \ \text{df}), \ CMIN/DF = 1.175, \ p = .320, \ RMR = .021, \ GFI = .989, \ RMSEA = .033, \ CFI = .998, \ AGFI = .957. \]

Figure 4. Fitness of Awareness and Its Observed Variables

Notes. Standardized estimates

\[ \chi^2 = .342 \ (1 \ \text{df}), \ CMIN/DF = .342, \ p = .559, \ RMR = .009, \ GFI = .998, \ RMSEA = .000, \ CFI = 1.000, \ AGFI = .998. \]

Figure 5. Fitness of Participation and Its Observed Variables

Notes. Standardized estimates

\[ \chi^2 = .001 \ (2 \ \text{df}), \ CMIN/DF = .001, \ p = .999, \ RMR = .003, \ GFI = 1.000, \ RMSEA = .000, \ CFI = 1.000, \ AGFI = 1.000. \]
As shown in Table 3, the Regression analysis showed that factor loading or Beta of all the components were higher than 0.40 and were less than statistical significance of 0.05. Components reliability (CR) was 0.86 which were higher than the criteria of 0.60 and Average Variance Extracted (AVE) were 0.57 which is higher than the criteria 0.50. The findings on media exposure suggested that Thai resident’s media exposure was significantly associated with specialized media (B = 0.93*, R² = 0.871), personal media (B = 0.778*, R² = 0.605), and mass media (B = 0.723*, R² = 0.522), respectively. However, TV spot has the lowest regression (B = 0.463*, R² = 0.214).

In respect to awareness the Regression analysis showed that factor loading or Beta of all the components were higher than 0.40 and were less than statistical significance of 0.05. CR was 0.83 which was higher than the criteria of 0.60 and AVE was 0.71 which was higher than the criteria 0.05. The findings showed that awareness after exposing to the campaign (B = 0.830*, R² = 0.689) has higher regression than awareness before exposing to the campaign (B = 0.788*, R² = 0.621). The finding suggested that awareness (latent variable) was significantly predicted by awareness after exposing to the campaign than awareness before exposing to the campaign.

In respect to the participation in the campaign, the findings showed that CR was 0.48 which was lower than the criteria of 0.60; however, AVE was 0.32 which was lower than the criteria 0.50. CR and AVE of two variables did not pass the criteria. Factor loading or Beta of all the components were higher than 0.40 and are less than statistical significance of 0.05. The participation before exposing to the campaign had lower regression than participation after exposing to the campaign. The findings suggested that Thai resident’s participation in the campaign can be predicted by after exposing to the campaign (B = 0.586*, R² = 0.343) than before exposure to the campaign (B = 0.575*, R² = 0.330).
Table 3.

Regression Analysis of Composite reliability (CR) and Average Variance Extracted (AVE) of the Latent Variables

<table>
<thead>
<tr>
<th>Latent Variables</th>
<th>Beta</th>
<th>e</th>
<th>b</th>
<th>SE</th>
<th>t</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media exposure 3 (Latent variable)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Mass Media &lt;--- Media2</td>
<td>0.723*</td>
<td>0.382</td>
<td>1.588</td>
<td>0.297</td>
<td>5.345</td>
<td>0.522</td>
</tr>
<tr>
<td>2. Personal Media &lt;--- Media2</td>
<td>0.778*</td>
<td>0.307</td>
<td>1.686</td>
<td>0.288</td>
<td>5.852</td>
<td>0.605</td>
</tr>
<tr>
<td>3. Specialized Media &lt;--- Media2</td>
<td>0.933*</td>
<td>0.078</td>
<td>1.780</td>
<td>0.300</td>
<td>5.930</td>
<td>0.871</td>
</tr>
<tr>
<td>4. New Media &lt;--- Media2</td>
<td>0.700*</td>
<td>0.673</td>
<td>1.980</td>
<td>0.353</td>
<td>5.610</td>
<td>0.491</td>
</tr>
<tr>
<td>5. TV spot &lt;--- media2</td>
<td>0.463*</td>
<td>0.608</td>
<td>1.000</td>
<td>Fixed</td>
<td>Fixed</td>
<td>0.214</td>
</tr>
<tr>
<td></td>
<td>CR = 0.86</td>
<td>AVE = 0.57</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Awareness 3 (Latent variable)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Awareness1 &lt;--- Awareness2</td>
<td>0.788*</td>
<td>0.270</td>
<td>0.875</td>
<td>0.080</td>
<td>10.89</td>
<td>0.621</td>
</tr>
<tr>
<td>7. Awareness2 &lt;--- Awareness2</td>
<td>0.830*</td>
<td>0.260</td>
<td>1.000</td>
<td>Fixed</td>
<td>Fixed</td>
<td>0.689</td>
</tr>
<tr>
<td></td>
<td>CR = 0.83</td>
<td>AVE = 0.71</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participation 3 (Latent variable)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Participation1 &lt;--- Participation 3</td>
<td>0.575*</td>
<td>0.700</td>
<td>1.000</td>
<td>Fixed</td>
<td>Fixed</td>
<td>0.330</td>
</tr>
<tr>
<td>9. Participation2 &lt;--- Participation 3</td>
<td>0.586*</td>
<td>0.750</td>
<td>1.066</td>
<td>0.174</td>
<td>6.130</td>
<td>0.343</td>
</tr>
<tr>
<td></td>
<td>CR = 0.48</td>
<td>AVE = 0.32</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes. * Significance level at p<0.05
Media exposure 3 means the latent variable of media exposure to various media
Awareness 3 means the latent variable of awareness before and after exposing to campaign.
Participation 3 means the latent variable of participation before and after exposing to the campaign.
As shown in Table 4, an analysis of SEM revealed that in Model 1 the fitness of indicator did not pass the criteria and Correlation of error variance of participation 1 (e8) and participation 2 (e9) were less than -1 (-1.39). Hence, one of the components should be deleted. However, participation 2 (B = 0.586, R^2 = 0.343) could explain better because it had higher Beta than participation 1 (B = 0.575, R^2 = 0.330). In Model 2, all indicators fit into the model according to the criteria, but Participation 3 (latent variable) did not significantly influence awareness, while awareness 3 did not significantly influence their participation 3. Hence, the arrow between awareness 3 and participation 3 were deleted from the model and the model was analyzed again. In Model 3, all indicators fit into the model according to the criteria. The findings revealed that the media exposure 3 (latent variable) significantly influence awareness 3 (latent variable) and participation 3 (latent variable) at the statistical significance of 0.05. Model 3 is considered to be the best model as indicated in Table 4. Table 5 demonstrates the influence of the structural equation model among the nine variables.
Table 4.

**SEM Analysis of Participation in Anti-Corruption Alliance Network Campaign**

<table>
<thead>
<tr>
<th>Fitness of Indicator</th>
<th>Criteria for Interpretation</th>
<th>Testing Three Models</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>$\chi^2$/df</td>
<td>$&lt; 3$</td>
<td>1.246 $\checkmark$</td>
</tr>
<tr>
<td>p</td>
<td>$&gt; 0.05$</td>
<td>0.180 $\checkmark$</td>
</tr>
<tr>
<td>RMR</td>
<td>$&lt; 0.05$</td>
<td>0.061 $\times$</td>
</tr>
<tr>
<td>GFI</td>
<td>$&gt; 0.95$</td>
<td>0.957 $\checkmark$</td>
</tr>
<tr>
<td>AGFI</td>
<td>$&gt; 0.90$</td>
<td>0.926 $\checkmark$</td>
</tr>
<tr>
<td>CFI</td>
<td>$&gt; 0.95$</td>
<td>0.986 $\checkmark$</td>
</tr>
<tr>
<td>RMSEA</td>
<td>$&lt; 0.08$</td>
<td>0.039 $\checkmark$</td>
</tr>
</tbody>
</table>

**Notes.** $\times$ = Did not pass the criteria $\checkmark$ = Pass the criteria
As shown in Table 5, SEM analysis confirmed the fitness of the model among the latent variables of media exposure, awareness, and participation at the statistical value of CHI-SQUARE = 23.142 (20df), CMIN/DF = 1.57, p-value = 0.282, RMR = 0.036, GFI = 0.967, RMSEA = 0.031, CFI = 0.993, AGFI = 0.940. Thai residents’ media exposure significantly influenced their awareness (Beta = 0.391, R² = 15%) and participation (Beta = 0.365*, R² = 13%). Their media exposure was significantly influenced by exposure to special media (Beta = 0.900*, R² = 81%), personal media (Beta = 0.798*, R² = 64%), mass media (Beta = 0.722*, R² = 52%), new media (Beta = 0.714*, R-Square = 51%), and TV spot (Beta = 0.485*, R² = 24%), respectively. Thai residents’ overall awareness was predicted by awareness after exposing to the campaign (Beta = 0.830*, R² = 69%) more than awareness before exposing to the campaign (Beta = 0.790*, R² = 62%). Finally, their overall participation was significantly predicted by their participation after exposing to the campaign (Beta = 0.848*, R² = 72%). Model 3 confirmed that the awareness of anti-corruption networks and roles of NACC do not have a significant impact on their frequency of participation in the campaign. Hence, SEM analysis confirmed the SEM model of the media exposure, awareness, and participation in the campaign as illustrated in Figure 6.
Table 5.

**SEM Analysis on the Influence of Each Variable**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Media Exposure3</th>
<th>B</th>
<th>b</th>
<th>S.E.</th>
<th>t</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness3</td>
<td>----</td>
<td>0.391*</td>
<td>0.614</td>
<td>0.168</td>
<td>3.646</td>
<td>15%</td>
</tr>
<tr>
<td>Participation3</td>
<td>----</td>
<td>0.365*</td>
<td>0.450</td>
<td>0.140</td>
<td>3.215</td>
<td>13%</td>
</tr>
<tr>
<td>TV Spot</td>
<td>----</td>
<td>0.485*</td>
<td>1.000</td>
<td>Fixed</td>
<td>Fixed</td>
<td>24%</td>
</tr>
<tr>
<td>New Media</td>
<td>----</td>
<td>0.714*</td>
<td>1.924</td>
<td>0.332</td>
<td>5.787</td>
<td>51%</td>
</tr>
<tr>
<td>Specialized Media</td>
<td>----</td>
<td>0.900*</td>
<td>1.636</td>
<td>0.269</td>
<td>6.088</td>
<td>81%</td>
</tr>
<tr>
<td>Personal Media</td>
<td>----</td>
<td>0.798*</td>
<td>1.648</td>
<td>0.284</td>
<td>5.802</td>
<td>64%</td>
</tr>
<tr>
<td>Mass Media</td>
<td>----</td>
<td>0.722*</td>
<td>1.513</td>
<td>0.273</td>
<td>5.550</td>
<td>52%</td>
</tr>
<tr>
<td>Awareness1</td>
<td>----</td>
<td>0.790*</td>
<td>1.000</td>
<td>Fixed</td>
<td>Fixed</td>
<td>62%</td>
</tr>
<tr>
<td>Awareness2</td>
<td>----</td>
<td>0.830*</td>
<td>1.134</td>
<td>0.084</td>
<td>13.437</td>
<td>69%</td>
</tr>
<tr>
<td>Participation2</td>
<td>----</td>
<td>0.848*</td>
<td>1.723</td>
<td>0.141</td>
<td>12.179</td>
<td>72%</td>
</tr>
</tbody>
</table>

Notes. * Significance level at p<0.05
Media exposure 3 means the latent variable of media exposure.
Awareness 3 means the latent variable of awareness before and after exposing to campaign.
Participation 3 means the latent variable of participation before and after exposing to the campaign.
Figure 6. SEM Model of Media Exposure, Awareness, and Participation in the Anti-Corruption Alliance Networks Campaign (Model 3)
DISCUSSION AND CONCLUSION

The findings on structural equation model of media exposure, awareness, and participation were partially supported. The findings confirmed that media exposure significantly influenced the Thai residents’ awareness and participation in the campaign; however, their awareness did not significantly predict their participation in the campaign. The findings coincided with Saisema’s developmental model (2005) for the formation of awareness which suggested that awareness was the sum of public perception and interpretation of the stimulus in the social environment via the media exposure. However, the public’s awareness did not lead to action because the awareness of before and after exposing to the campaign did not influence the public participation in the campaign. The findings suggested that the nature and characteristics shaped the perception process leading to higher awareness. All media significantly influence the media exposure of Thai residents. Exposure to special media, personal media had the highest regression which highlighted that the impact of controlled media and interpersonal media in reaching the audience at the interpersonal level and created trust in the anti-corruption message. In addition, exposure to mass media and new media also influenced media exposure but at lower regression because mass media and new media were one-way communication which promote limited rapport with the audience.

The model 3 suggested that there was a KAP Gap in the Anti-Corruption Alliance Network campaign, wherein awareness or knowledge did not lead to action. The findings did not reveal a significant influence between the public awareness and their participation in the campaign. Public awareness can be defined as “a behavior that reflect the ability to remember, to perceive, and be conscious of events, objects, thoughts, which composed of knowledge and comprehension, feeling, and needs or intention which lead to behavioral change” (Saisema, 2005). Since awareness was defined as the sum of knowledge, comprehension, feeling, and needs or intention, the findings suggested the media did not promote the public’s knowledge and comprehension about the significance of Anti-Corruption Alliance Networks and the values it will promote to individuals in the society. The message in the media should promote concept, learning, and knowledge about the corruption suppression in order to influence the participation in the campaign.

Thus, NACC should resolve KAP-GAP in the campaign in several ways: (a) NACC should promote more beneficial knowledge that will promote anti-corruption behavior by indicating the benefits of joining the campaign and negative consequences of not joining the campaign to oneself or to the nation and be informed about the safety measures to protect residents’ life, if they have participated in the campaign; (b) provide clear directions to promote the Thai residents’ participation and engagement with safety in the campaign by using personal media and new media; (c) offer rewards to the Thai residents who have supported the message with a convincing and persuasive reward as perceived by the receivers; and (d) promote persuasive strategies by using personal media that is perceived to have high opinion or credibility as perceived by Thai residents in order to promote their increased participation and engagement in the campaign “Anti-Corruption Alliance Networks” (Rogers, 1971, as cited in Sothanasathien, 1999).

The model 3 also confirmed that public awareness and participation were significantly influenced after exposing to the Anti-Corruption Alliance Networks campaign. The findings indicated that the public relations campaign has a significant impact on the awareness on the basic level and on the behavior change at the advanced level according to Wilcox and Cameron’s public relations effectiveness yardstick (2012, p. 193). However,
the model suggested that the awareness did not always lead to behavioral change, depending upon how individuals perceived and comprehended the message—to what extent did they recognize the value and benefits to themselves or to society? This is the challenge facing the NACC and other governmental institutions to produce persuasive messages that promote concept formation, learning, accurate comprehension of the anti-corruption message. The campaign should promote more engagement in the campaign in order to increase participation in the campaign. The campaign should promote more engagement in the new media and mass media to create trust and credibility in the campaign and NACC in future public relations campaign containing the anti-corruption message.

ACKNOWLEDGEMENTS

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RADIO THAILAND:
PASSAGE FROM NATIONAL DEVELOPMENT TO ASEAN RECOGNITION

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ABSTRACT

This paper aims primarily to explore the public’s perception regarding Radio Thailand’s role change from generating national development to building up ASEAN awareness, and hence to be further recognized as an important medium among ASEAN member countries. Nine focus group interviews were conducted with 90 purposively-selected audiences of Radio Thailand in Bangkok and eight regional provinces during June-August, 2015. The researcher later thematically categorized the responses in accordance with the said objectives and presented the findings descriptively. The findings revealed that Radio Thailand possessed a high potential to be a powerful medium to generate ASEAN awareness among the audience, solidify Thai cultural values, and get the audience prepared against the influx of cross-cultural values once AEC is in effect. In this case, the use of communication technology and social media, quality contents, competency of staff in technology and languages, and networks with ASEAN media were key factors for Radio Thailand to create recognition among ASEAN community.

KEY WORDS: Radio Thailand, communication technology, media networks, cultural values, ASEAN recognition

INTRODUCTION

Radio broadcasting in Thailand began in 1930 during the reign of King Rama VI before the 1932 coup d’état (Klangnarong, 2009). When the government founded the Publicity Bureau in 1933 and changed it to the Public Relations Department (PRD) in 1952, Radio Thailand has been actively functioning as one of the important media tools of the government to disseminate the government’s policy, activities, and development issues to the people around the country. At present, Radio Thailand has 147 radio stations in every region nationwide (PRD website, 2016).

Radio Thailand has declared its vision as a key and professional broadcasting organization in disseminating news and information to the public, and lead Thailand to proudly become an active member of AEC. The three missions stated by Radio Thailand include the supportive roles for the government’s publicity of news and information, the promotion of national education and culture, and the cooperation amongst related or assigned agencies. The ultimate goal of Radio Thailand is to attain favorable public knowledge and understanding regarding the government activities, democratic system, and national stability (Radio Thailand website, 2016).
As a result, Radio Thailand has set its major strategies to broadcast the government’s news & information, policy, and activities in a united and efficient approach, to develop the efficiency and quality of radio broadcasting services and enhance its staff to be happy workers and widely-accepted media professionals (Radio Thailand website, 2016). Moreover, to achieve the aforesaid missions, Radio Thailand planned to conduct 15 public relations projects throughout 2016 to promote the public’s knowledge, favorable attitude, and desirable aftermath behaviors in various issues deemed necessary by the government, covering the promotion of national stability (monarchy respect, national reform, peace enforcement along the Sothern borderline, and disaster prevention and relief), economy (sufficiency economy), social aspects (12 values of Thai people, social solidarity, Thailand image, and corruption prevention), environmental management (water, waste, & environments, and prevention of natural resources destruction), and international issue (promoting the sense of belonging to ASEAN community, alien labors management) (Radio Thailand website, 2016). The programs of Radio Thailand were widely recognized by its local audiences as customized for local needs, full of valuable contents, and delivered by knowledgeable presenters (Komolsevin, 2015).

Since Radio Thailand aims at serving the ‘general public,’ its programs are of the variety nature. That is, various issues have been presented to serve the general public’s interest, ranging from politics, economics, social & cultural aspects, and entertainment. Moreover, various program genres have also been delivered, ranging from news & information, documentary, talk shows, music, and so on (PRD website, 2016). As a result, although Radio Thailand could serve the general public as stated in its policy, it still lacked a unified image of a radio station (e.g. music stations, news station), thus making it less attractive to the youth audience (Komolsevin, 2013).

Up to date, Radio Thailand has constantly been adapting itself to correspond with the changing new media platform. In addition to broadcasting in 12 languages (e.g. English, French, German, Vietnamese), Radio Thailand has administered online radio and program archives so that the audience can access to radio programs without the restraints of time and place (Radio Thailand website, 2016). To excel in the digital era, however, the changing nature of listeners has to be taken for serious consideration. That is, they become more interactive and organized into networks, leading hence to “different properties, different behaviours and different values” (Bonini, Caliandro, & Massarelli, 2016). As a result, the radio personnel—be they a presenter, announcer, newscaster, or moderator—has to be alert in improving their knowledge and skills so as to capture the listeners’ interest (National News Bureau of Thailand, 2014).

As the government broadcast medium that can reach the audience nationwide and across borders, Radio Thailand has all the potentials to be recognized not only domestically but also among the ASEAN member countries. This paper, therefore, aims primarily to explore the public’s perception regarding Radio Thailand’s role change from generating national development to building up ASEAN awareness, and hence to be further recognized as an important medium among ASEAN member countries.

**Objectives of Study**

1. To explore the public’s perception regarding Radio Thailand’s general roles and image.
2. To investigate the public’s perception regarding Radio Thailand’s roles in generating ASEAN awareness among the domestic audiences.
3. To examine the public’s perception regarding Radio Thailand’s potentials to be recognized among ASEAN audiences.

LITERATURE REVIEW

With the digital media era, the traditional or terrestrial media like television and radio have to adapt their strategies to cope with the media technological changes. In Thailand, all free and cabled televisions have operated the online channel in parallel with the traditional one (see, for example, Channel 3, Thai PBS). Moreover, when a radio station added the online feature, it had to recognize the interactive relationship between the listeners and the broadcaster (Lin, 2012). That is, they could “simultaneously interface with audio programs and their relevant content [and interact] with other users via file sharing or social networking” (Lin, 2012, p. 886). In other words, online radio is offering the ability to get access to abundant multimedia content with relative ease of interaction.

The said notion inevitably prompted the radio broadcaster to adopt a major paradigm shift of operational structure. First of all, the communication had to change from one-way to two-way and to interactive approaches, in which the users simultaneously generated contents and shared them with their social networks (Stark & Weichselbaum, 2013). In this case, radio online had become a convergent and interactive medium, in which the listeners might listen to live or access to archives and form their personalized radio consumption patterns (Stark, 2013).

According to Mende (2010, as cited in Stark & Weichselbaum, 2013), listening to traditional radio is still prevalent compared to online radio. The said phenomenon might not be true for the youth audiences, who are far more adept in high communication technology and prefer the exposure to multi-platform media. A study by Komolsevin (2015) also indicated that the loyal audiences to Radio Thailand were mostly the middle-aged or older, while the number of youth audience was decreasing.

In order to compete with other commercial radio stations and be recognized as a major medium in ASEAN forum, Radio Thailand has gradually adapted a number of its operational strategies to excel in the digital media era. According to Stark and Weichselbaum (2013), the web radio listeners were found to expect music variety, clear signal, diversity, and an extensive range of programs. Hence, it might be interesting to explore the public’s perception regarding the roles and performances of Radio Thailand to be recognized domestically and internationally among ASEAN community.

Research Questions

1. What is the public’s perception regarding Radio Thailand’s general roles and image?
2. What is the public’s perception regarding Radio Thailand’s roles in generating ASEAN awareness among the domestic audiences?
3. What is the public’s perception regarding Radio Thailand’s potentials to be recognized among ASEAN audiences?
METHODOLOGY

This research was conducted qualitatively with 90 key informants who joined nine focused group interviews (each with 10 participants). The informants were selected purposively and consisted of those from a variety of careers, e.g., academicians, students, farmers, local & retired government employees, and so on. The discussed issues concerned the public’s perception regarding Radio Thailand’s general roles and image, roles in generating ASEAN awareness among Thai audiences, and potentials to be recognized among ASEAN community.

Instrument

The instrument was the questions asking about the respondents’ perception about Radio Thailand’s aforesaid roles and potentials. The researcher had three experts check the question validity, and found that the questions corresponded well with the stated research objectives.

Data Collection & Analysis

Nine focus group interviews were conducted with 90 purposively-selected audiences of Radio Thailand (one in Bangkok and eight more in different provinces where the regional PR offices are located.) The data collection began in June, 2015 and was completed by the end of August, 2015. The data were then transcribed and categorized according to the predetermined themes, and thereby analyzed both thematically and inductively to get the overt and hidden meanings of the respondents’ perceptions. The results were presented descriptively.

1 In addition to the main office in Bangkok, the Government Public Relations Department (PRD) has eight regional PR offices in Ubonratchathani, Khon Khaen, Chiangmai, Pitsanoolok, Suratthani, Songkhla, Chantaburi, and Kanchanaburi.
RESULTS

The findings regarding the key informants’ perception about Radio Thailand can be categorized into four parts as follows: general roles of Radio Thailand, image of Radio Thailand, roles in generating ASEAN awareness among the domestic audiences, and potentials of Radio Thailand to be recognized in ASEAN community.

General Roles of Radio Thailand

During the interviews, the respondents recognized the significant roles of Radio Thailand in twofold: as a crucial linkage in their community, and an essential part of their life. The first role concerned the fact that Radio Thailand served as a principal channel for the central/local administers to send information to the public and/or community members. The second role was confirmed by several respondents, stating that radio Thailand introduced them to a number of useful and innovative activities, e.g. music, travelling, and so on. The significance of Radio Thailand prevailed specifically among rural listeners, but in Bangkok merely among loyal fans.

Radio Thailand was also widely recognized as the most credible media when compared with other competitive radio stations. As the government-own radio station, its disseminated news and information must be based on facts, news announcers and presenters must speak correctly and dress properly, and the contents must be accurate and reliable. The station also welcomed volunteers from various fields (e.g., lawyers, academicians, local gurus) to share their experiences with the listeners. As a result, some respondents stated that Radio Thailand was qualified to be the ‘role model’ for other radio stations since its programs were diverse, suited all types of listeners, and were “full of knowledge and added with and entertainment, both serious and relaxing.”

Most of the radio announcers and presenters were also recognized for their knowledge and expertise, while certain were also famous and consistently followed by a number of fans, who had formed a tight network to follow their works and activities. “They [radio announcers and presenters] are “like our family member,” stated one respondent in Chiangmai, “because they speak our dialect, care for us, and help us solve our problems.” During the time of disaster (e.g., big flood), for example, these announcers/presenters stayed with the suffering public and acted as a bridge to transfer helps & reliefs from outside to the community.

The interaction between Radio Thailand and its listeners were mostly of the two-way nature. That is, the listeners were allowed to phone-in to ask questions, express their opinions, and provide supportive information to other listeners. During the current regime, however, this two-way communication has been curbed down to certain extent for social order and stability.

Image of Radio Thailand

Domestically, Radio Thailand was recognized as reaching all segments of the society, in both the rural and urban areas. It also acted as a participatory medium, in which the listeners were welcomed to participate in its broadcasting operations. It had also successfully kept balanced between the programs produced by the locals and those transmitted from the central station, rendering it thus to “touch the locals’ heart and speak well for them.”
The new generation of Radio Thailand announcers and presenters were all revered for their knowledge and the presentation ability to make the listeners fully understand the contents; “unlike those presenters in the past who cared less for the listeners and made the program boring.” Due to the fact that these presenters were relatively young, their program presentation was “fast, active, exciting, and able to grasp the listeners’ attention.”

One of the most notable characteristics of Radio Thailand was to provide opportunities for the youths, the minorities, and the disadvantaged groups to participate in program production, activities, presentation, and performance evaluation. Radio Thailand was basically recognized as “the knowledge station, the social guru, the number one station for rural public,” and also the “culture station” whereby cultural activities in the local areas had been promoted and transmitted throughout the community. The networks established with other radio stations (e.g., community radio) also expanded the operational range of Radio Thailand to extensively fulfill the need of the society.

Despite positive perceptions towards Radio Thailand; however, some respondents stated their negative perceptions as well. As a media agency under the supervision of the Government Public Relations Department, the staff of Radio Thailand were mostly government employees, “whose mindsets, personality, and program delivery clearly reflected the bureaucratic nature and styles,” rendering its programs relatively less attractive and professionally interesting. Another point to concern was the not-so-modern communication technology of Radio Thailand, in which listening to archives on website in some areas were impossible and Radio Thailand applications on Smartphone was still unavailable.

**Roles in Generating ASEAN Awareness among Domestic Audiences**

Radio Thailand was an important government medium to generate ASEAN awareness among the audience. That is, the Government PRD assigned Radio Thailand to function as a major mechanism to generate the sense of belonging to ASEAN community via a number of programs (e.g., radio spots, documentaries, newscasts, etc.). Other programs included the teaching of ASEAN languages and providing knowledge in all aspects about ASEAN member countries, e.g. economics, trading, politics, social life, and culture. Furthermore, the continuous focus on promoting Thai cultures also served as an approach to solidify Thai cultural values, and “get us [Thai people] prepared against the influx of cross-cultural values once AEC is in effect.”

**Potentials to Be Recognized in ASEAN Community**

The key informants discussed and exchanged a number of opinions for Radio Thailand to build up recognition among ASEAN community. Those issues involved the use of communication technology and social media, the creation of quality contents, competency of staff in language and technology, and the formation of networks with media in ASEAN member countries.
Communication Technology & Social Media

The development of Radio Thailand’s potentials to be recognized as one of the principal ASEAN media should start with the extensive usage of communication technology. During the interviews, the respondents of all ages unanimously agreed that social media were becoming increasingly more powerful in reaching the remote and hard-to-reach audiences, retrieving information from various sources, and sharing information to others in the social community. As such, having a Smartphone was quite a common phenomenon among people even in the rural areas. “People in my village,” stated a respondent, “are already addicted to Smartphone. If Radio Thailand has online function, it will have more listeners.” Without Smartphone application, according to some respondents, access to the current online programs of Radio Thailand could possibly be accomplished only via computer, which was “inconvenient and even impossible for some computer-incompetent listeners.” Hence, enhancing radio program delivery via Smartphone application would definitely expand the ability of Radio Thailand to easily and extensively reach the far remote audiences.

The same could be said for reaching ASEAN audiences, especially those residing right across the borderline within the reach of Radio Thailand transmission, e.g., Laos PDR, Cambodia, Malaysia, Myanmar, and even the southern China. The availability of programs on Smartphone application would definitely open a channel for Radio Thailand to reach those ASEAN interested audiences.

Quality Contents

In addition to communication technology, the quality of contents was also an important issue. In this case, the radio contents that provided benefits deemed necessary for the listeners would definitely attract them. Up to date, for example, Radio Thailand stations in Chiangmai and nearby were presently broadcasting in 12 different dialects and languages to the northern hill tribes and reach across borderline to the audiences of Myanmar and the Southern China. The disseminated information concerned immigration issues, alien labor issues, as well as adjustment and assimilation to rules and regulations in Thailand. For example, they got information from Radio Thailand about traffic rules, how to get the driver’s license, how to renew their work permit, etc. With the AEC in effect, Radio Thailand stations especially those located on the borderline might ponder with disseminating beneficial information to the within-reach audiences regarding Thai tourism promotion (e.g., interesting tourist sites, travelling plan), Thai cultural beliefs and values (do’s & don’ts in Thailand) legal issues (e.g. no drug trafficking), and so on. Similar contents should also be disseminated via and readily available on Smartphone application, whereby social media would help amplify the reaching range and scope of the stations.

Using social media as a tool might also enable Radio Thailand to reach the young audiences who were gradually withdrawing themselves from Radio Thailand, due to its “boring delivery style, too much knowledge, very few entertainment, and ‘not-so-cool’ content to share with friends on social media,” stated a young student during the interview. In this case, the decreasing number of young listeners was quite alarming for both Radio Thailand and its loyal middle- and old-aged fans, since the valuable contents of Radio Thailand would regrettably be ignored by the new generation, and hence “the desirable social development implemented via a number of the government’s PR projects would never happen.” In this case, they suggested that Radio Thailand presumed a more
‘active’ role to reach to audiences, not vice versa, and social media was viewed as an efficient tool in this matter.

Based on the premise that the youths around the world have been possessing similar characteristics concerning media preferences, we may assume that social media are presently their favorite communication channel. As a result, the online operation of Radio Thailand, together with valuable contents for the youths, might eventually attract them to Radio Thailand, and if its contents were ‘cool’ enough to share to others, the repercussion effects of Radio Thailand programs might be innumerable and immeasurable.

The contents of Radio Thailand should be continuously researched and adapted to fit with different interests of various groups of audiences. As for the retired group, they preferred “easy-listening, classical, or country music, health-related programs, leisure-time activities.” For the working group, they preferred “career-related programs, legal issues, current domestic and international news, tourism information, and so on.” As for the young audiences, they preferred pure entertainment (e.g. music), fun-based programs (e.g. youth activities plus music/game show), and exciting delivery style, so that the programs would be “fun to join, fun to share, and fun to follow.”

**Competency of Staff**

One of the most crucial mechanism for Radio Thailand to be recognized in ASEAN community was radio announcers/presenters and general staff. Generally, media personnel functions to generate awareness among the audiences, regarding the media existence, program availability and benefits to receive form media exposure. As such, the staff of Radio Thailand should “uplift their technological competency and skills, improve their delivery style and technique, and be fluent in foreign languages.”

Fluency in foreign languages was always a pitfall of Thai media people, especially those working in the government agency. In order to gain recognition among ASEAN audiences, it would be better if the Radio Thailand staff acquired proficiency in English, in one of ASEAN languages (e.g., Bahasa, Vietnamese), and/or even in one or many dialects used in specific borderline areas (e.g., Akha, Hmong).

In this matter, Radio Thailand should recruit new-generation staff who were “skillful in new media technology, fluent in English, understanding the young listeners, and capable of creating an attractive webpage with valuable and interesting contents.” The aforesaid approach would be possible only if the policy makers of Radio Thailand decided to step forward and operate seriously in the digital radio industry.

“[I] feel they [Radio Thailand people] are reluctant to move forward, trying instead to hold on to the routines despite knowing the outside world is changing, so they know not what to do.”

As for a radio station, an attractive announcer or presenter could draw in a lot of fans. With the digital radio, stated one respondent, creativity in program production and presentation on web page was far more influential. That is, the elements on radio web page must be creative to trigger the viewers’ interest and prompt them to follow through other pages to view/listen to the archived radio programs and participate in online activities (if any). This could be achieved through the organization of extensive and intensive trainings.
for the new and current staff, so that they could wash away old bureaucratic paradigms and adopt a more updated mindset regarding how to ‘push & lead’ radio Thailand to the international forum. In this matter, Radio Thailand needed “an upside-down approach from analogue routines to digital initiatives,...[it’s] hard but possible.

**Formation of Media Networks**

The formation with other media and non-media networks was another approach to promote the recognition of Radio Thailand. Within domestic arena, the cooperation between Radio Thailand and other stakeholders, e.g., schools, local & provincial government administration offices, other media groups, interest groups, community radio, etc. had definitely rendered Radio Thailand to be recognized throughout the country. Hence, if Radio Thailand considered expanding its networks to international media groups in other ASEAN countries (e.g. radio, newspaper, and television), the exchange of news and information within the network would definitely benefit “them and us,” and consequently generated more recognition and acceptance of the significance of Radio Thailand as the reliable source of information about Thailand.

**DISCUSSION**

To conclude, the key informants unanimously agreed that Radio Thailand had all potentials to become an ASEAN radio station, due to it readily available accurate and reliable news content. However, it must prepare itself to wade through quite a ‘long and windy’ passage in order to become recognized as an informative media tool among ASEAN member countries.

The promotion of Radio Thailand to be recognized among the audiences in ASEAN community should start from the change of focus—from domestic to international roles. At present, the world service of Radio Thailand is only one part of its major missions that aim particularly at serving the domestic listeners—to serve Thai people all over the country via the transmission of accurate and reliable news and information regarding politics, economics, social & cultural aspects, so as to enhance solidarity and better understanding with the government and among the public (Radio Thailand website, 2016).

Two-way communication was basically deemed important by Radio Thailand, and the listeners had been enhanced to phone-in to provide feedbacks, to share their opinions, and to request for desirable contents. However, since this two-way function has been restricted to a certain extent, the local listeners were increasingly dissatisfied, and gradually turned to other radio stations, whereby this restriction was in no effect (Komolsevin, 2015).

The original operation of Radio Thailand actually followed the traditional SMCR communication model invented by David Berlo in 1960, or a one-way transfer of message to the receivers. However, the requirement of self-evaluation has prompted Radio Thailand to welcome feedback from the listeners, and that becomes one of the best practices of the station. In this matter, operating online would modify the communication model of Radio Thailand to be interactive, in which a sender and a receiver become simultaneous communicators and develop mutual adaptation and understanding (Littlejohn & Foss, 2008).
To be recognized among ASEAN community, therefore, Radio Thailand should extensively and intensively use communication technology and social media to reach the audience in ASEAN. Moreover, quality contents should be emphasized to be more creative and innovative to attract the ASEAN audience’s interest, especially the youth. In this matter, the staff of Radio Thailand should improve their competency in language and technology, and the executives become active in forming media networks with other ASEAN member countries.

In case that Radio Thailand has set its concrete policy to become an international medium, further research may be conducted with the Government Public Relations Department to initiate a training program to uplift the Radio Thailand staff’s competency in English & ASEAN languages, as well as in new communication technology. The most important thing, however, is to change the staff’s mindset from merely a government employee to an efficient media person, whose ultimate goal is to push their produced contents to reach the targeted audience effectively.

ACKNOWLEDGEMENT

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SUPPLY CHAIN MANAGEMENT FOR *LITOPENANEUS VANAMEI* IN NAKRON SI THAMMARAT PROVINCE, THAILAND

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ABSTRACT

The purpose of this research was to analyze the efficiency in supply chain management of *Litopenaneus vanamei* (whiteleg shrimp). The sample consisted of 63 farmers, five shrimp traders, and one processing plant. The research instruments were questionnaires and in-depth interviews. The results of this study revealed that 20% of *Litopenaneus vanamei* was directly sent to a factory, and 80% of that was sold for shrimp traders. As there was no shrimp processing plant in Nakorn Si Thammarat, shrimp traders sold 95% of their products to processing plants in Songkhla and sold the other 5% to both retailers in Nakorn Si Thammarat and Malaysia. The shrimp processing plant in Songkhla sold 5% domestically and 95% aboard. The operational efficiency in the supply chain consisted of speed, economy, safety, convenience, and certainty and punctuality. The farmers mainly focused on safety. Finally, the shrimp traders prioritized speed, and the processing plant emphasized certainty and punctuality.

KEY WORDS: Logistics, supply chain, management, efficiency of transport

INTRODUCTION

Statement of the Problem

Thailand has been the leading producer and exporter of shrimp in the world. Shrimp farming in Thailand began mainly with prawn farming; later, when the popularity of prawn farming started to increase, the farming faced a shortage of natural prawn breeders and lack of breeder development, which resulted in smaller-sized and slow-growing prawns that had high raising costs but low selling prices. Subsequently, farmers imported *Litopenaneus vanamei* (whiteleg shrimp) from South America, prawns that were well-developed, easy to raise, could grow quickly, and required low production and management cost but yielded large quantities. Therefore, more and more Thai farmers became interested in farming whiteleg shrimp. Currently, Thailand has 99% of white shrimp farming and only 1% of prawn farming (Economic Surveillance of Fishery Products, 2012).

As for shrimp the export industry, Thailand has encountered the problem of commercial obstruction, anti-dumping measures, strictness of food safety standards (Siriphakhaporn, 2011), and competition with other shrimp producing nations. In the shrimp producing market, many producers have initiated policies which help reinforce the increase of productivity, especially for whiteleg shrimp, due to high investment return and increasing consumer demand. In terms of market competition, Thailand primarily focuses on how to increase shrimp consumption in the country and on the strengthening of agricultural divisions. As for the exporting business, Thailand applies measures that can secure the confidence of importing countries, especially in the area of production standards, which have been launched together with the production of certain goods that are in line with the demand of each market. Additionally, Thailand also pays attention to labor and environmental regulations. Despite all this, the country’s participation within the ASEAN Economic Community (AEC) as of 2015 has resulted in certain limitations in terms of international shrimp raw material shift and an increased risk of shrimp diseases spreading from neighboring countries into Thailand’s farming system. Another main concern of shrimp producers is that Thailand’s shrimp farming industry remains controversial in terms of image due to the use of illegal drugs and labor remains (Economic Surveillance of Fishery Products, 2012).
To solve those problems, the researcher have conducted research exploring the connection of *L. Vanamei* process from farmers, collectors, processing plants, and product processing. In the research, the logistics management method is used to explore the efficiency of each working process in the supply chain of *L. Vanamei* in Nakhon Si Thammarat. The research aims to help the systematic development of Thailand's shrimp exporting industry and secure international confidence toward shrimp farming.

**Research Objective**

In this study the researchers intend to identify the supply chain and to examine efficiency level in supply chain management of *L. Vanamei* in Nakhon Si Thammarat.

**LITERATURE REVIEW**

**Supply Chain Operations Reference (SCOR) Model**

The model is built based on important ideas between business process adjustment, benchmarking, and evaluation process to achieve harmonious working roles and duties. The operations reference model consists of:

1. **Plan**: which involves each planning step such as data search plan, material management plan, production plan, inventory management plan, and including management plans in other areas. The plan’s main focus is to encourage each working division to undertake planning itself to be in line with the financial policies of each organization.

2. **Source**: management, which refer to both places and products, advanced search of raw materials needed in the production, and the categorization of raw materials into self-producing materials and ordered materials.

3. **Make**: divided into three forms:
   - 3.1 Production for storage
   - 3.2 Production to meet customer orders
   - 3.3 Production from engineering design

4. **Deliver**: refers to the delivery with complete plan, e.g., the route plan for delivery or the plan to provide a certain number of delivery trucks.
5. Return: which involves the preceding process, e.g., the return of the product in case it is damaged during transportation (Suwaritdamrong, 2003).

**Efficiency in Supply Chain Management**

Aphipratchayasakul (2007) stated that efficiency of transport aims to improve the transportation to meet the quality standard and to have the highest efficiency. According to the principles of transport, efficient transport needs to consist of the following qualifications:

1. Speed: With speed, transport is able to take products and services to market quickly, in time, and meet the demand of customers. Also, fast transport can ensure freshness and quality of products and services just as when they are being processed at the production sources.
2. Economy: Efficient transport needs to be economical in terms of capital and provide reasonable service charges to customers.
3. Safety: This refers to the passengers' safety, the protection of products not to be lost or damaged, and the safe condition of transporting vehicles.
4. Convenience: Efficient transport must provide convenience to customers in transporting, e.g., the transporting vehicles used have to be in good condition and capable of providing convenience to passengers.
5. Certainty and Punctuality: Efficient transport needs to have plans regarding traveling time and punctuality. This includes the guaranteed plan of the numbers of departures and arrivals, departure and arrival times, travel duration, clearly indicated major stops that the vehicle need to make by at the certain times.

**RELATED RESEARCH**

Wong-inyu (2011) investigated the area of logistics development and supply chains in the area of added value in Thailand's ornamental fish export industry and found that the transport routes management system for can connect transport from farms to export companies where the comparison of different routes to find the nearest and cheapest route to transport in good condition is possible. Packages used in the transport of fighting fish included fish flasks in plastic boxes (fruit boxes), resulting in 26.32% increase in quantities transported. As for the fish flasks in foam boxes, the load increased 33.33%. Fighting fish packages can, consequently, add 20% more value to the retail products within the country and the products arrive to their destinations in good condition. The support in the decision of efficient development of Thailand's ornamental fish export helps with the decision of fish farming investment and the investment analysis for each type of fish. The creative supply chain strategy for ornamental fish is used for the specification method and the improved efficiency of fish exportation.

Soposdaeng (2008) conducted research on supply chain system of fresh longans in Thailand by evaluating the efficiency of supply chain and logistics and found that most organizations have the most effective export logistics management. To clarify, the transfer activity of products to trade partners within the supply chain, especially the wholesalers known as “Lung,” is conducted effectively. Additionally, there is provision of supporting factors such as advertisements, public relations, and services to customers at the lowest social status, especially farmers. The research also revealed that the main problems and
obstructions in the longan supply chain are the lack of good quality in longans, the uncertainty of longan production, unsuccessful governmental management, and uncertain standards of longan production.

RESEARCH FRAMEWORK

The conceptual framework for this research was adapted from Suharitdamrong (2003). The development of the supply chain organization components were analyzed: Plan, Source, Make, Deliver and Return as independent variables. The operational efficiency in the supply chain was a dependent variable. This conceptual framework is presented in Figure 2.

Figure 2. Research Framework

RESEARCH METHODOLOGY

Population and Sampling

In this research, the population was the farmers in two districts of Nakhon Si Thammarat: 67 farmers from Pakpanang and 101 farmers from Huasai (Department of Internal Trade of Thailand, 2014). The calculation for appropriate sampling was done through Taro Yamane formula to search for the representatives of all farmers, derived from the overall number of 168 farms. The calculation resulted in the sampling groups from 63 farms. The random specification of sampling groups could be done separately for each district (25 farms from Pakpanang and 38 farms from Huasai) by using Stratified Random Sampling. The data gathering was conducted through questionnaires distributed to 63 farmers, in-depth interviews with five collectors and one processing plant.
RESEARCH INSTRUMENT

A five-rating Likert scale survey questionnaire and in-depth interviews designed and developed by the researchers under the following research framework:

- Average of 4.21 – 5.00 considered as highest priority
- Average of 3.41 – 4.20 considered as high priority
- Average of 2.61 – 3.40 considered as moderate priority
- Average of 1.81 – 2.60 considered as low priority
- Average of 1.00 – 1.80 considered as lowest priority

DATA ANALYSIS

This research derives qualitative data from the in-depth interviews by the content analysis process which was then written in a descriptive essay. The quantitative data obtained from the questionnaires were analyzed by statistical computer program to find the value of mean and standard deviation.

RESULTS

From the research conducted into the *L. Vanamei* supply chain in Nakhon Si Thammarat from farmers, collectors, and processing plants reveals that:

**Farmers**

The summary from in-depth interview according to SCOR model results in the following details:

The working process of shrimp farmers begins with the preparation of pond and water in which some farmers would dredge up the mud by spraying the mud with water or using a backhoe to shovel the mud from the pond within 6-7 days after the farming, while some farmers dredge mud and leave the pond to dry, occasionally, by estimating the process to meet the demand of shrimp in the market, based on the levels of the success of the previous experience. After the preparation of the pond, the next activity is transferring water into the pond. The water goes through a purification process in which undesirable matter is filtered before water transfer to prevent the spread of diseases. After that, the water condition will be adjusted to the appropriate pH level. The farmers take approximately 3 months (100 days) to raise shrimp each time, but the shrimp might be harvested before they are fully grown or when the shrimp market price is high.

**Shrimp traders**

The summary from in-depth interview according to SCOR model resulted in the following details:

1. Plan: collectors explored the transport distance from the farmers to the destination before agreeing on a selling price with farmers. Additionally, they also looked at the demand and trend of the market before purchasing the shrimp as sometimes there is an
imbalance between shrimp prices in the market and at the suppliers. Most collectors are informed about the demand of processing plant one day in advance.

2. Source: equipment used to harvest the shrimp are four-wheel trucks, ten-or-six wheel trucks, ice cubes, bags to pack shrimp, containers, scales, and 30-40 workers to sort the shrimp based on the sizes per pond. The sorting is carried out in two tents set up in the farming area.

3. Make: the production activities of the collectors consists of shrimp collection process through the standard of market-price consideration in buying shrimp from farmers. The shrimp from one to two farms can be collected per day. In the collection process, the workers transport the shrimp from the farm by hiring the farmers to catch the shrimp, depending on the negotiation of who will be responsible for the catch. There are two collection methods: the one-time transport with partially loaded shrimps, and the round-trip transport with fully loaded shrimps sorted out based on size. The transport distance is approximately 51-100 km. After the shrimp are collected, they are delivered to the processing plant in two different ways: live shrimps must be delivered to the supplier within five hours, and frozen shrimps must be delivered within 12 hours.

4. Delivery: the collectors in Nakhon Si Thammarat deliver shrimp products that have been collected to the processing plant/cold storage in Songkhla. The transportation distance is approximately 70 km, and the duration of transport is typically between one to two hours. As for the processing plant-cold storage in Samut Sakorn, the distance is approximately 70 km and the duration 12-15 hours.

5. Return: the collectors will receive the returned products from the processing plant/cold storage in the case in which the size of the shrimp do not meet with the processing plant requirement, as the shrimp may have a muddy odor (this is often found in shrimp raised in fresh water), shrimp are covered with algae, or shrimp have weak tails since the tails would impact the image of the shrimp products.

Processing plant

The summary from in-depth interview according to SCOR model results are as follows:

1. Plan: the company conducted research on consumer demand trends, present condition of shrimp farming, and governmental policies concerning the promotion of shrimp industry.

2. Source: 20% of products come from contract farms and the other 80% come from outside purchase, in which 30% are bought from collectors and 70% bought from central market. More are bought from the central market since there are more raw materials in the central market and the desirable shrimp sizes according to processing plan demand, and companies usually purchase shrimps from allied companies which can give discounts.

3. Make: when the shrimp are delivered from collectors or the central market to the company, there is an initial random check in which the shrimp are boiled so that their taste, color, smell, and freshness can be determined. Any shrimp that do not meet the standard (broken-tailed or pale-colored shrimps) will be sorted out.

4. Deliver: the logistics service provider is selected, and the product is transferred from the processing plant to Songkhla dock, which takes place after a purchasing order is placed. The processed products are transported from the processing plant, and take an average of 15-30 days to arrive at their final destination.

5. Return: No return activity.
Levels of *L. Vanamei* Whiteleg Shrimp Supply Chain Efficiency in Nakhon Si Thammarat

Table 1.

*Description of Operational Efficiency in the Supply Chain of Farmers*

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Ranking Based on Priorities</th>
<th>M</th>
<th>S.D</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Speed</td>
<td></td>
<td>3.94</td>
<td>0.88</td>
<td>High</td>
</tr>
<tr>
<td>Economy</td>
<td></td>
<td>3.13</td>
<td>0.47</td>
<td>Moderate</td>
</tr>
<tr>
<td>Safety</td>
<td></td>
<td>4.09</td>
<td>0.71</td>
<td>High</td>
</tr>
<tr>
<td>Convenient</td>
<td></td>
<td>3.87</td>
<td>0.65</td>
<td>High</td>
</tr>
<tr>
<td>Certainty and Punctuality</td>
<td></td>
<td>3.17</td>
<td>0.64</td>
<td>High</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>3.77</td>
<td>0.78</td>
<td>High</td>
</tr>
</tbody>
</table>

Table 1 The result show indicate that Safety is the highest priority with an average of 4.09, followed by Speed (average of 3.94), Convenient (average of 3.87), Certainty and Punctuality (average are 3.17), and Economy (average of 3.13).

Table 2.

*Description of Operational Efficiency in the Supply Chain of Shrimp Traders*

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Ranking Based on Priorities</th>
<th>M</th>
<th>S.D</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Speed</td>
<td></td>
<td>4.50</td>
<td>0.40</td>
<td>Highest</td>
</tr>
<tr>
<td>Economy</td>
<td></td>
<td>4.50</td>
<td>0.35</td>
<td>Highest</td>
</tr>
<tr>
<td>Safety</td>
<td></td>
<td>4.20</td>
<td>0.27</td>
<td>High</td>
</tr>
<tr>
<td>Convenient</td>
<td></td>
<td>4.20</td>
<td>0.27</td>
<td>High</td>
</tr>
<tr>
<td>Certainty and Punctuality</td>
<td></td>
<td>4.27</td>
<td>0.28</td>
<td>Highest</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>4.35</td>
<td>0.54</td>
<td>Highest</td>
</tr>
</tbody>
</table>

Table 2 The result indicates Speed and Economy are the highest priorities (average of 4.50), Certainty and Punctuality (average of 4.27), Safety and Convenient (both average of 4.20).

Table 3.

*Description of Operational Efficiency in the Supply Chain of Processing Plant*

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Ranking Based on Priorities</th>
<th>M</th>
<th>S.D</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Speed</td>
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<td>4.00</td>
<td>0.00</td>
<td>High</td>
</tr>
<tr>
<td>Economy</td>
<td></td>
<td>4.00</td>
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<td>High</td>
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<tr>
<td>Safety</td>
<td></td>
<td>4.00</td>
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<td>High</td>
</tr>
<tr>
<td>Convenient</td>
<td></td>
<td>4.20</td>
<td>0.00</td>
<td>High</td>
</tr>
<tr>
<td>Certainty and Punctuality</td>
<td></td>
<td>4.33</td>
<td>0.00</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td>4.11</td>
<td>0.00</td>
<td>High</td>
</tr>
</tbody>
</table>

Table 3 The result indicates that Certainty and Punctuality is the highest priority (average of 4.33), Convenient (average of 4.20), and Speed, Economy, and Safety (all with an average of 4.00).
Research and Structural Analysis of Current *L. Vanamei* Business Supply Structure

From the structural research of *L. Vanamei* business supply in Nakhon Si Thammarat, 20% of shrimp raised in Nakhon Si Thammarat are delivered directly to the processing plant, and 80% are sold to collectors. The collectors, then, deliver up to 95% of the products to the processing plant and sell the rest to retailers within the province and in Malaysia. There is no shrimp processing plant in the province, but the collectors transport the shrimp to the processing plant in Songkhla. After that, 5% of the processed products are sold within the country, while the other 95% being sold to overseas customers.

**Figure 3.** Structure of Supply Chain Management of *L. Vanamei*

DISCUSSION AND CONCLUSION

Farmers consider Safety as the highest priority in supply chain management, while collectors consider Speed and Economy as the highest priorities, and the processing plant considers Certainty and Punctuality as the highest priority.

The priorities ranked according to SCOR model consist of five areas: Plan, Source, Make, Deliver, and Return. The requirements of the working process are ranked as: (1) Speed, (2) Economy, (3) Safety, (4) Convenient, and (5) Certainty and Punctuality discussed as follows:

Overall, five areas of priority ranked according to SCOR model fall under the High priority category within production planning, production, and transport. Under the Highest priority within the exchange of information among farmers since they have to look at the shrimp market trends before deciding to conduct shrimp farming as well as consider weather forecasts and seasons which affect the shrimp farming plan. This information corresponds to the research of Teerapong Apaipakdee (2011) who found that to be successful in the whiteleg shrimp farming requires baby shrimp quality, appropriateness of farming area, general knowledge and understanding of whiteleg shrimp biology, water
condition and plankton management, and shrimp harvesting. The unsuccessful shrimp farming is the result of a lack of a planning process.

Regarding the working process efficiency of the supply chain by the farmers and collectors, the average ranking was at the High priority category within the Speed of the working process. This result corresponds to the research of Kanokpat Wong-inyu (2012) who explored the development of logistics system and supply chain in the added value of Thailand's exporting ornamental fish and found that the transport route management for transport ornamental fish can have a connection between different routes from farms to export companies. This data can, then, be used in the route comparison to specify the nearest and cheapest route.

**RECOMMENDATIONS**

Ninety percent of shrimp raised in Nakhon Si Thammarat are transported to processing plants and attract most customers from foreign countries. Thus, it is crucial for farmers to have contact and network with processing plants in order to be accurately informed about the demands of customers.

The processing plants' demands include preferable shrimp sizes, and need to know quantities and prices of the products one day in advance. This increases the risk for the collectors, because once the shrimps are harvested from the pond, they have to be frozen for two days due to their perishability. The government should consider this as a priority issue and focus on how information can be exchanged within the supply chain between each sector and how each sector can interact with one another more efficiently.

**SUGGESTIONS FOR FUTURE RESEARCH**

In future research, there should be more exploration of customers' needs in order to identify the processing plants that have unacceptable in whiteleg shrimp production, particularly foreign customers as they constitute 90% of total customers.
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LEGAL MECHANISMS FOR QUALITY CONTROL OF TRADITIONAL MEDICINE IN ASEAN

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ABSTRACT

In this paper the researcher examines national legal mechanisms and policies to ensure that the necessary regulatory and legal mechanisms are created for maintaining good practice and assuring authenticity, safety and efficacy of traditional therapies. Additionally, this research focuses on equitable access to health care resources and informatics, including terminology and classification of traditional medicines. This research is drawn mostly from primary sources including legislation, national polices, and regulations. The main research findings are that ASEAN faced major challenges in the development and implementation of the regulation of traditional, complementary/alternative, and herbal medicines. These challenges were related to regulatory status, assessment of safety and efficacy, quality control, safety monitoring, and lack of knowledge about traditional medicine within national drug regulatory authorities. This study suggests that to establish an integrative system for traditional medicine, the government needs to formulate legal mechanisms and policies regarding the medical standard that is to be adopted for quality control, and regulation of integrative practice.

KEY WORDS: Legal mechanism, traditional medicine, ASEAN, quality control, integrative system

Remarks: Wariya Lamlert is a full-time lecturer aGraduate School of Law, National Institute of Development Administration (NIDA). The author acknowledges financial support from the Graduate School of Law, National Insitute of Development Administration (NIDA).
INTRODUCTION

In light of global health care demand and the significant role of traditional medicine in meeting the public health needs of developing countries, especially in the Association of Southeast Asian Nations (ASEAN) region, traditional medical knowledge is receiving increased attention worldwide. While many “modern” medicines were originally obtained by extracting single compounds from natural materials, in traditional medicine, the therapeutic benefits of natural substances may depend on an intricate combination of factors. This complexity must be respected to ensure the quality of traditional medicinal products.

While some countries have standards, processes, and regulations in place for traditional medicine practitioners and products, many others do not. This makes the need to maintain the quality, safety, and efficacy of traditional practices and products even more important.

Characteristics of Traditional Medicine

The term “traditional medicine” (TM) describes a group of health care practices and products that have a long history of use. It frequently refers to medical knowledge developed by indigenous cultures that incorporates plant, animal, and mineral-based medicines, spiritual therapies, and manual techniques designed to treat illnesses or help patients to maintain wellbeing (Hussain & Malik, 2013). TM tends to be practiced outside the context of allopathic medicine (also known as biomedicine, conventional, or Western medicine) (Abbott, 2014), which is the dominant system of medicine in the developed world. In many cultures, however, TM functions as a comprehensive system of health care that has been refined over hundreds or even thousands of years.

The World Health Organization (WHO) defines traditional medicine as “the sum total of the knowledge, skills and practices based on the theories, beliefs, and experiences indigenous to different cultures, whether explicable or not, used in the maintenance of health, as well as in the prevention, diagnosis, improvement, or treatment of physical and mental illnesses” (World Health Organization, n.d.).

TM practices share many of the same core values. They tend to be characterized by a holistic and highly individualized approach to treatment and an emphasis on maximizing the body’s inherent healing ability (Abbott et al., 2011). This involves viewing patients as active participants in their own care, addressing the physical, mental, and spiritual attributes of a disease, and placing a strong emphasis on prevention and wellness.

At the same time, TM practices include considerable diversity and can vary significantly between regions. TM therapies involve assorted levels of training and show different degrees of evidence-based efficacy. In addition, TM practices are governed by a heterogeneous group of state and national policies and regulations, and they have a variety of associated cultural beliefs (Abbott, 2012).

Importance of Traditional Medicine for Local Communities in ASEAN

TM is not only a vital source of health care; however, it is also an important source of income for many communities. TM may even form an integral part of a community’s identity. Indigenous peoples and local communities, for instance, may possess unique
knowledge related to harvesting and preparing herbs, as well as knowledge of their medicinal uses. This information can be invaluable, not only for the indigenous peoples and local communities who have historically used herbal medicines, but also for attempts to export and use TM outside its traditional environment.

The use of TM is most substantial in ASEAN nations. According to data provided to WHO, in Indonesia, 40% of the population uses TM, and 70% of these live in rural areas (Patwardhan, 2005). It is reported that a total of 3,962 medicinal items have been registered and that 632 manufacturers have been issued production licenses (World Health Organization, 2001). Over 8,000 practitioners of TM are registered in Myanmar alone. There is one 50-bed hospital for traditional medicine in Mandalay, one 25-bed hospital in Yangon, and three 16-bed hospitals in other parts of the country (World Health Organization, 2001).

In Thailand, since the promulgation of the Traditional Medicine Law in 1996, TM accounts for approximately 40% of all health care delivered. Thai TM draws from Indian and Chinese TM systems. It encompasses a holistic philosophy and is based principally on plants (World Health Organization, 2001). It includes the use of herbal saunas, herbal medicines, herbal steam baths, and hot compresses as well as traditional massage, acupressure, and reflexology (World Health Organization, 2001). Practitioners of TM represent an important resource for the Thai health care system.

Safety Issues Concerns for Traditional Medicine in the Realm of International Practices

Legal and ethical considerations require that TM practitioners avoid causing harm during the treatment of their patients. This must also be the case for TM. The use of TM, however, presents unique public health challenges. WHO notes that the “inappropriate use of TMs or practices can have negative or dangerous effects” and that “further research is needed to ascertain the efficacy and safety” of many traditional medical practices (The House of Representatives of the Government of Kenya and the National Assembly of the Republic of Kenya, 2009).

TM are not necessarily safe simply because they are “natural” or because they have a long history of use. In fact, the use of TMs can delay the use of effective allopathic treatments and can directly cause adverse effects. In addition, health risks may be posed by drug-herb interactions and problems related to quality control. To keep these risks in perspective, it should be noted that despite the widespread use of TM, reports of serious adverse effects are rare.

To monitor medicine quality, pharmaceutical manufactures and regulators use the WHO Good Manufacturing Practices (GMPs) in over 100 countries worldwide, primarily in the developing world. GMPs help to ensure that products are consistently manufactured with appropriate quality standards (Srivastava, 2015). They also aim to diminish risks related to contamination and mislabeling and to ensure a uniform standard of safety and efficacy. GMPs may require rigorous documentation of production methods and the use of particular manufacturing and testing equipment.

Many countries do not require manufacturers of TMs to adhere to GMPs; however, as a result, manufacturers may only be responsible for making a good faith effort to ensure that
products contain pure substances that are not contaminated, weakened, or mislabeled. Enforcing GMPs, however, may help to address the issue of contaminated or adulterated supplements, as GMPs provide requirements for the manufacturing of herbs that encompass the quality control of materials, the accurate identification of medicinal plants species, and procedures for harvesting and storing herbs (Abbott, 2014).

RESEARCH FINDINGS AND DISCUSSION

With respect to documentary research used to gain an understanding of underlying legal reasons and motivations, in this part, two issues concerning legal mechanisms for quality control of TM in ASEAN are discussed, beginning with examining the challenges related to the assessment of the safety and efficiency of the use of TMs in ASEAN in order to comprehend the challenges that currently confront the ASEAN community concerning the safety, efficacy, and quality of TM and complementary and alternative medicines. The second issue is the need to focus on legal mechanisms and national policies for such quality control.

Challenges Related to Assessment of Safety and Efficiency of the Use of Traditional Medicines in ASEAN

TM has long maintained its popularity worldwide. Indeed, over the last decade, we have seen the increasing use of complementary and alternative medicines (CAM) in both developed and developing countries. Therefore, the safety and efficiency of TM and complementary and alternative medicines, as well as their quality control, have become important concerns for both health authorities and the public.

Meanwhile, countries face major challenges in the development and implementation of regulations for traditional, complementary/alternative, and herbal medicines, including challenges related to regulatory status, assessment of safety and efficacy, quality control, safety monitoring, and lack of knowledge about TM/CAM within national drug regulatory authorities.

Requirements and methods for research on and the evaluation of the safety and efficacy of herbal medicines are more complex than those for conventional pharmaceuticals. This is primary because a single medicinal plant may contain hundreds of natural constituents, and a mixed herbal medicinal product may contain several times that number (World Health Organization, 2015). If every active ingredient were to be isolated from every herb, the time and resources required would be tremendous. In practice, such an analysis may actually be impossible, particularly in the case of mixed herbal medicines. The safety and efficacy of herbal medicines is closely correlated with the quality of the source materials used in their production. The quality of source materials is, in turn, determined by intrinsic factors (genetic) and extrinsic factors (environmental conditions, cultivation and harvesting, field collection, and post harvest/collection, transport, and storage) (World Health Organization, 2015).

Since it is difficult to perform quality control on the raw materials of herbal medicines, GMP specifies many requirements for medicinal plants along with special storage and special sanitation and cleaning methods for various materials. When controlling for the quality of finished herbal medicinal products, particularly mixed herbal products, it is
often difficult to determine whether all the plants or starting materials have been included, however.

Moreover, adverse events arising from the consumption of herbal medicines may result from any one of a number of factors. These include “the use of the wrong species of plant by mistake, the adulteration of herbal products with other, undeclared medicines, contamination with toxic or hazardous substances, overdosage, misuse of herbal medicines by either healthcare providers or consumers, and the use of herbal medicines concomitantly with other medicines” (Ekor, 2014). Therefore, an analysis of adverse events related to the use of herbal medicines is more complicated than the case of conventional pharmaceuticals (World Health Organization, 2015). Furthermore, herbal medicines are often used for self-care; thus, there is a great need to educate consumers and the public in their proper use.

More importantly, a general lack of knowledge about herbal medicines among national drug authorities and a lack of appropriate evaluation methods are both factors that delay the creation or updating of national policies, laws, and regulations for TMs, contemporary/alternative medicines, and herbal medicines.

Meanwhile, the standardization of such areas of TM as terminology, acupuncture point locations, herbal medicine, clinical practices, and patient access to information is ongoing. Science and civilization have developed because of language, and TM has been developing for thousands of years with its own set of terms. However, historical conditions have brought about various expressions of TM, and its subjective features intensify its diversities. Although TM can be defined using indigenous characters and alphabets, its terminology should be standardized for modern usage to expedite scientific communication in societies that use it. This is the first step toward TM’s globalization.

TM is a comprehensive system of medicine characterized by its own theoretical basis and the experience of its practitioners. It includes herbal medicine, acupuncture, and other non-medical therapies. Owing to its unique paradigm and remarkable efficacy, and its fewer adverse effects, this system of medicine has been attracting more and more interest internationally (World Health Organization, 2007). Considering the recent, rapid increase in the worldwide use of TM, there is a pressing need for a common language, such as an international standard terminology.
Legal Mechanisms and National Policies for Quality Control of Traditional Medicine in ASEAN

The “protection” of TM under intellectual property rights generally as part of “traditional knowledge” has been addressed in many national, regional and international fora. The provision contained in article 8 (j) of the Convention on Biological Diversity (CBD), as adopted in 1992, triggered a number of proposals to deal with this issue at the national and international level (Correa, 2002). Likewise, ASEAN recognizes the importance of TM. Consequently, some ASEAN Member States have enacted laws to protect TM. For instance, Thailand has adopted a law to protect traditional knowledge in the field of medicines: the Thai Traditional Medicinal Intelligence Act 1999, which is under the supervision of the Ministry of Public Health. This Act is an example of sui generis legislation. Its main objectives are to reward traditional healers for their continuing contribution to health and health care, and to create incentives for maintaining traditional medicinal knowledge.

The Philippines formulated Traditional and Alternative Medicine Act in order to create the Philippine Institute for Traditional and Alternative Health Care. This institute shall be responsible for the development of a legally workable basis by which indigenous societies would own their knowledge of TM, as well as for the formulation of standards for the manufacture, marketing and quality control of different traditional and alternative health care materials and products for approval and adoption by the Philippine Bureau of Food and Drugs (Essential Medicines and Health Products Information Portal, 2001).

However, there are still some countries that do not have a specific law for the protection of TM and are still experiencing problems with maintaining the quality and safety control of TM. The main problem can be summed up as follows:

- lack of policy and regulations for the quality and safety control of TM;
- lack of mechanism for developing linkages between TMs of different countries;
- lack of appreciation of the potential of TM to solve the health problems of ASEAN countries; and
- differences between the concepts and fundamentals of TM and modern medicine.

In order to solve the problem effectively, in 1997, the ASEAN Senior Officials for Environment decided to explore the possibility of a Regional Access Protocol, in order to curb biopiracy in the region. Since then, steps have been taken to develop a regional framework agreement on access to biological and genetic resources (Essential Medicines and Health Products Information Portal, 2001). This protocol focuses on access to biological resources as well as with conservation and sustainable use of those resources. It is also envisaged that it will address concerns on prior informed consent and equitable benefit sharing (Essential Medicines and Health Products Information Portal, 2001). Nonetheless, this protocol is not in force.

However, ASEAN was not negligent or ceased to solve problems with the safety standards in the use of TM in ASEAN countries. Another important point to consider is uncertainty of the quality of TMs which may pose barriers to trade and investment due to the difference in standard of registration of TM among ASEAN Member States. As a result, to
harmonize and implement the technical requirements and guidelines for TMs so as to reduce technical barriers to trade among ASEAN Member States and contributing to the ASEAN Economic Integration initiatives without compromising the safety, quality and efficacy/claimed benefits of these products, ASEAN Agreement on Traditional Medicines, accordingly, was promulgated in order to ensure safety, quality and efficacy/claimed benefits of TMs.

Furthermore, in 2004, under the umbrella of ASEAN Economic Community (AEC), the Product Working Group for Traditional Medicines and Health Supplements (TMHSPWG) was established. Reporting to ASEAN Consultative Committee on Standards and Quality (ACCSQ) and with the assistance of the ASEAN TMHS Scientific Committee (ATSC), the ACCSQ TMHSPWG is tasked with:

- implementing measures for the integration of TMs and health supplements stipulated in ASEAN Healthcare Integration Roadmap;
- harmonizing technical requirements and explore possible Mutual Recognition Arrangements; and
- eliminating technical barriers to trade for TM and HS, without compromising public health and safety to the ASEAN peoples (Health Science Authority, 2015).

To harness TM for development and trade, ASEAN countries need assistance in building national capacity in terms of raising awareness of the importance and potential of TM for development and trade; developing institutional and consultative mechanisms on TM protection and TM-based innovation; and facilitating the identification and marketing of TM-based products and services. There is also a need to promote an exchange of experience among ASEAN countries on national strategies for TM development, sui generis systems for the protection of TM, and the commercialization of TM-based products and services (Perez-Esteve, 2000).

National regulatory systems for TM vary considerably worldwide. These range from an absence of regulations altogether to highly structured regulation systems similar to those applied to pharmaceuticals. WHO notes that an appropriate legal and regulatory infrastructure for TM is vital for “promoting and maintaining good practice; assuring authenticity, safety and efficacy of traditional and complementary/alternative therapies; and providing equitable access to health care resources and information about those resources” (World Health Organization, 2002).

WHO also notes that one of the major challenges facing the appropriate use of TM is the lack of comprehensive national policies about TM. It has stated that national policies on TM “are needed in order to define the role of TM/CAM in national health care delivery systems and how it can contribute to health sector reform. They can also ensure that the necessary regulatory and legal mechanisms are in place for promoting and maintaining good practice, that access to TM/CAM is equitable, and that the authenticity, safety, and efficacy of any therapies used are assured. Without such policies, TM/CAM is practiced without government oversight and without patient consumer protection” (Management Science for Health, 2002).

The number of countries now developing TM policies is rising. According to the first WHO global survey on national policies and regulations for TM, only five Member States
had a national policy on TM prior to 1990, but by 2003 that figure reached 45, while 51 countries reported pending national policies (Abbott, 2009). The same trend is evident with national laws and regulations regarding herbal medicines.

States have a responsibility for the health of their peoples. This can be fulfilled only by the provision of adequate health and social measures. In this sense, it is the state’s duty to ensure that crimes and abuses associated with the practices of TM in Uganda are addressed through policies, laws, and regulations that ensure safety, efficacy, and quality control.

The fact that TM practitioners lack scientific evidence to support the safety and efficacy of their medicines does not necessarily mean that they should not respect patient values or norms. It should also not deter the state from enacting laws or formulating policies to streamline their practices. In fact, it is more probable that once these practices are streamlined, the practitioners will reveal their trade secrets and, thus, make it possible for scientists to find direct evidence of the efficacy of their drugs and practices. In other words, regulations would encourage herbalists to cooperate with government research institutions to develop good therapies for various diseases and to improve on what they currently do (Kyomugisha, 2008).

CONCLUSION AND RECOMMENDATIONS

Traditional and complementary/alternative medicines are widely used for the prevention, diagnosis, and treatment of an extensive range of ailments. Numerous factors have led to the widespread and increasing appeal of traditional and complementary/alternative medicines throughout the world, particularly over the past 20 years. In some regions, traditional and complementary/alternative medicines are more accessible than Western medicine. Furthermore, traditional and complementary/alternative medicine has demonstrated efficacy in areas such as mental health, disease prevention, treatment of non-communicable diseases, and improvement of the quality of life of persons living with chronic diseases, as well the ageing population.

Each year, WHO receives an increasing number of requests to provide standards, technical guidance, and informational support to Member States to help them elaborate national policies for traditional and complementary/alternative medicine. WHO encourages Member States to integrate traditional and complementary/alternative medicine into national health care systems and to ensure their rational use.

The research proposes the following as some feasible recommendations on this issue:

1. Provide guidance on regulatory and quality assurance standards.
2. Increase the availability and affordability of TM/CAM, with an emphasis on access for poor populations, so that TM/CAM is officially recognized and incorporated into all areas of health care provision.
3. Enhance the training of TM practitioners so that it includes the standardization of medicinal products, good manufacturing practices, and a system for monitoring and evaluating the competency of TMPs.
4. TM practitioners should also be encouraged to disclose information about the products. This information would be vital for the complete evaluation (safety, efficacy, and quality) of their products. Many herbal remedies in circulation and in use at the
clinical level have not, however, been tested. Some practitioners do not support the need for such tests, while others lack the finances to pay the fees for these tests on their products.

5. Regulatory bodies should set minimum standards for safety and efficacy. These procedures and standards should be harmonized for use by all research units and universities.

6. Financial support should be provided to improve the safety, quality, and efficacy of TM products currently in use in Ghana. Special consideration should be given to products for diseases that are public health concerns. Finally, existing and future testing centers should be supported in terms of equipment, human resources, and infrastructural development.
REFERENCES


CHANNELS OF MONETARY TRANSMISSION: 
REVISITING THE LESSONS

by

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ABSTRACT

Quantitative Easing Programs are unconventional monetary policies used in times of crisis when conventional programs lose their transmission mechanism power and fail to stimulate the economy. In this article the researcher describes the circumstances and evaluates the effects of policy changes of the two central banks, namely the Federal Reserve and Bank of Japan, during the recent financial crisis and recovery in a narrative approach as Friedman and Schwartz (1963) undertook in A Monetary History of the United States 1867-1960. Findings reveal the different successes. The Bank of Japan failed to change a decade-long inflation expectation because of the broken links in monetary transmission mechanisms and the outside shocks.

KEY WORDS: Monetary transmission mechanism, monetary policy, role of expectation

INTRODUCTION

The Japanese economy has experienced more than a decade of stagnation, with several years of declining in prices. There is no problem with low interest rates and low inflation if these are accompanied with a healthy positive growth rate and there is no theoretical reason why such a combination should not be possible. In fact, this is a preferable situation. Japanese experiences of the early of 1990s suggest that once inflation becomes negative and short-term interest rates approach zero, the economy slump into a phase of deflation. Under this situation, to reanimate the economy through conventional monetary policy measures became more difficult since the nominal interest rate cannot be below zero.

In this paper the researcher investigates the channels of monetary policy transmission mechanisms which may be the most important part of the success or failure in the conduct of monetary policy. The difference of this paper from the many others on this subject is that it focuses not on purely statistical evidence but on the evidence derived from the historical record based on the Narrative Approach, pioneered by Friedman and Schwartz (1963) and Romer and Romer (1989). It is a narrative in the sense that the identification of monetary shocks in Japan and also the United States are conducted through non-statistical procedures. The methodology here involves using the historical records that led to central bank decisions and accounts for the sources of monetary disturbances according to episodes and behaviors of the related sectors’ responses. The circumstances and the effects of monetary policy changes of two central banks will also be investigated by using the
Regarding the structure of this paper, the next section includes background material, followed by a brief history of monetary policies conducted by the Bank of Japan (BoJ) by identifying the four major monetary policies during the period of study. Third section introduces the theoretical basis of transmission mechanisms under conventional and unconventional monetary policy. The analysis in fourth section covers policy effectiveness, which will be conducted by describing the evidence of transmission mechanism channels from each monetary shock. The last section is the conclusion. Most of the data in the figures and tables come from the Bank of Japan (BoJ) webpage.

BRIEF HISTORY OF BOJ MONETARY POLICY

Quantitative Easing Policy 1998-2009

The movement in price index (the overall price of goods reflects the perception of consumers toward all prices. Therefore, energy, food, import and export prices are included in their consideration in order to form an expectation in the future price of both households and corporates) as shown in Figure 1 will be used to represent the conduct of monetary policy by the BoJ. During 1990-2013, there were five periods of recession as shown by shaded areas. After the burst of land and stock price bubbles in early of 1990s, the Japanese economy faced a period of deflation more than inflation as the number of times this price index fell below zero were more than number of times it was above zero. Before the introduction of the so-called unconventional monetary policy measures that started with the Zero Interest Rates Policy (ZIRP) in 1999, the main conventional policy measure was targeted on the interest rate. At that time, the BoJ used to reduce policy rate which was recorded as high as nearly 9% per annum in 1991 (see Figure 2) in order to stimulate domestic demand. Even the policy rate was lowered consecutively to almost a zero rate level in 1996 but the economy as represented by price level was unable to show any firm sign of upturn.

The ZIRP is not only near zero for short-term interest rates but is a commitment from policymakers to maintain or target it until deflation ends as a forward guidance for exit strategy. It is a combination of a zero interest rate target and a commitment to inject an unlimited amount of liquidity into the financial system until the deflationary concerns are dispelled. It manages the expectation about future levels of the policy interest rate with an intended effect on the structure of interest rates for all types of assets.

The achievement of unconventional monetary policy to fight deflation was short lived. After the ZIRP had been lifted and the BoJ was able to raise policy interest rate to 0.25%, another crisis caused by the information technology bubble hit Japan and pushed its economy into a new recession cycle in 2001. In response, the BoJ adopted another unconventional monetary policy measure. The quantitative easing policy between March 2001 and March 2006 (QE1) consisted of measures such as: (a) liquidity provided by reserves at the BoJ account as an operating target instead of policy interest rate; (b) a commitment to inject an unlimited amount of liquidity into the financial system until the deflationary concerns were dispelled; and (c) Japanese Government Bonds (JGBs) and also various type of private assets were purchased as a tool to provide liquidity. QE1 is much
like ZIRP in the sense that the BoJ set a commitment to provide ample of liquidity to domestic financial system especially banking system in form of bank reserves to fight until deflation ends. However, the target has been changed to monetary base such as uncollateralized overnight call market rate. QE1 was finally terminated in March 9, 2006 when inflation continued to rise firmly for more than a year prior to terminate date.

BoJ started another quantitative easing (QE2) briefly after the QE1 ended in response to Lehman shock during the height of the international financial crisis after the autumn of 2008 that had spillover effects from abroad into the domestic economy. This time, policy measures were similar to QE1 but included dollar swaps to ease the dollar shortage problem and protect domestic financial institutions from spillover effects abroad. As far as the evidence reveals, ZIRP, QE1 and QE2 were all designed to counter deflationary problems, but deflation remained stubborn in the Japan economy and returned shortly after the policy programs ended.

**Figure 1.** Quarterly Domestic Corporate Goods Price Index (All Commodities) Annualized % Change

New Round of Quantitative Easing Policy

One of the main pillars or so-called three arrows of the Abe government economic policies is inflation targeted at 2% annual rate to correct deflation. In the first weeks of Abe’s government, he appointed Haruhiko Kuroda as head of BoJ on March 20, 2013. He immediately introduced a new round of QE policy on April 4, 2013 to achieve a price stability target of 2% in terms of the year-on-year rate of change in the consumer price index at the earliest possible time, with a time horizon of approximately two years as forward guide line for exit strategy. The main points are:

- Double the monetary base and the amounts outstanding of JGBs as well as exchange traded funds (EFTs) in a two-year period;
- Change the main operating target for money market operations from uncollateralized overnight call rate to monetary base and increase at an annual pace of approximately 60-70 trillion yen;
- Purchase JGBs for the purpose of conducting monetary policy (not for the purpose of financing fiscal deficits) at an annual pace of approximately 50 trillion yen together with EFTs and Japan Real Estate Investment Trust (J-REITs) at an annual pace of 1 trillion yen and 30 billion yen respectively.

According to the policy actions above, this time governor Kuroda said clearly that the BoJ’s role is to stabilize price, and that the stabilization of exchange rates is the role of Ministry of Finance.

Figure 3 shows the size of assets in BoJ’s consolidated balance sheet accounts (i.e., approximately the total quantity of monetary base) and also the major composition of its account (i.e., the quantity of JGBs in total bank reserves) changed abruptly due to an increase in the size of government debts in the BoJ from an open market operation. Comparatively, this round composition and size of monetary base have changed from previous QEs.
Monetary Policy under Zero Rate Bound

The conduct of monetary policy by open market operation to maintain the targeted short-term nominal interest rate is usually the conventional task of the central bank to influence aggregate spending in the economy (Figure 4). However, these monetary policy transmission mechanisms are believed to be useless or less effective in the near zero interest rate situation. The normal interest rate cannot be lowered below zero no matter how large the monetary base may change. Money and financial interest-paid assets such as bonds become close substitutes and public can simply choose to keep money from the central bank idle. Unworkable money injection in this situation according to Keynes (1936) is a liquidity trap.

Mishkin (1996), among others, argued that central banks can use monetary policy to influence prices and output even when short-term interest rates approach zero bound by increasing liquidity particularly by large-scale purchasing long-term assets. In the near zero rate situation, central banks may turn to unconventional policies by increasing their monetary base size and/or composition of balance sheets to alleviate financial distress and/or stimulate the economy at the same time. Policy measures may involve direct lending to specific distressed short-term credit markets (credit easing) or large-scale asset purchases either from government or private sectors (quantitative easing) or both to change the term structure of interest rates by reducing real long-term interest rates.

Central banks use the relationship between short- and long-term interest rates as a policy transmission mechanism that works from the short-term rate in money sector to real sector spending on goods and services. In the IS-LM framework, the changes in money supply effect the interest rate in liquidity preference/money supply equilibrium (LM) (money sector) and sends interest rate effects to the real sector via the changes in aggregate
spending as consumption and investment in investment/savings (IS) change. In fact, none of the major real sector spending items such as housing, factory building or consumption in durable goods depends directly on the short-term interest rates such as uncollateralized overnight call rate or overnight federal fund rate. Instead, these long-life spending items depend heavily on the (expectation of) long-term interest rates. Hence, the effectiveness of monetary policy transmission mechanism has to rely on the influence of the very short-term interest rate, which normally is the policy instrument, to the long-term interest rate. Cook and Hahn (1989) provided information on the effects of central bank actions on the term structure of interest rates.

To understand how unconventional monetary policy works, consider the relationship between short- and long-term interest rate as shown below:

\[
(1) \quad \text{is the expected real yield at time } t \text{ on a } n \text{ years bond, } \text{is the average expected overnight call rate over the next } n \text{ years at time } t, \text{is the term premium on a } n \text{ years bond at time } t, \text{ and } \text{is the expected average rate of inflation over the next } n \text{ years } t \text{ at time.}
\]

The long-term interest rate on the left hand side of (1) is related to the right hand side factors according to the expectations theory of the term structure of interest rates. It states that the long-term interest rates are set according to market expectation of future short-term rates, if the other factors do not change, investor is indifferent between holding of a long-term bond or a sequence of short-term bonds covering the same period. Therefore, the current two-month (long-term) interest rate should equal the average of (short-term) the current one-month rate and market’s expectation of the one-month rate that prevail one-month from now or the one-month forward rate. Besides the relation with short-term interest rate expectations reflect market inflation expectations as well according to the Fisher equation. Furthermore, an investor choice between a long-term bond and a sequence of short-term bonds may involve a premium in the latter in compensation for the uncertainty in the period by period rollover of debt. Thus, the two-month rate should equal not only the average of current and future one-month rate, but plus a (time-varying) term premium also.

Central banks, therefore, can conduct monetary policy with various measures to change the expectation of future inflation. By using the commitment policy to maintain zero interest rate until the desired inflation rate has been reached and/or maintained beyond the necessary required period normally called for. Another policy measure is the quantitative easing such as outright assets purchase and/or bank lending which intend to increase money supply in the economy. Both measures are considered transmission mechanisms according to the signalling channel. The QE policy measure can also affect the term premium on assets. Since the BoJ’s large-scale purchase of assets will certainly inject more money into economy, a portfolio rebalance channel will occur due to the nature of imperfection to substitute between money and financial assets even when short-term interest rates are at zero level. As a result, with more money in the economy than the previous period, the portfolio rebalance will channel and cause investors to demand less compensation to hold the remaining amount of certain types of risks and as a result the term premium will fall. Thus, signaling channels and also the portfolio rebalance channels
allow asset purchases to lower long-term real rates and stimulate the economy through the assets and credit channels.

Role of Expectations

Both conventional or unconventional means of conducting monetary policy is summed up in Figure 4. Most of the known transmission mechanisms are normally relied on price (assets prices/yields) and/or quantity of money (or credit) channels to impact the final aggregate spending. Misunderstanding and dangerous ideas about monetary policy do not always occur when the nominal interest rate is close to zero bound or in the liquidity trap case. However assets purchase cannot push the nominal interest rate to below the zero level, but it should have an impact on asset prices, and availability of money/credit and changes the expectations. Through these means, aggregate spending should be effected.

There is considerable uncertainty about the effectiveness of monetary policy transmission mechanisms because there are a number of shocks which are outside the control of the central bank. Private sector inflation expectations play a key role in determining the transmission mechanisms. If the central bank can manipulate private sector beliefs about future inflation, real long-term interest rates would fall and economy would soon emerge from recession and deflation.

To change private sector beliefs is a difficult task for the central bank. They may doubt the ability and/or the will of the central bank to achieve future inflation. Moreover, the central bank basically has an incentive to renege on the promise of high inflation once the economy is out of the liquidity trap by adopting policies to keep inflation low once again. Hence, if the private sector expects deflation and is pessimistic, the long-term real interest rate will remain high and recession and deflation will be longer. On the contrary, if the private sector still expects deflation but is optimistic with the central bank’s induced inflation policy, the long-term real interest rate will be low and the recession and deflation will be shorter. The central bank may need a commitment in its policy and communicate this to private sector. However, with conventional policy instruments such as interest rates is already close or at zero, it is hard to demonstrate that commitment. Announcing a positive figure for the inflation target rather than zero inflation and the expansion of the monetary base are the natural choices left in the hands of the central bank to demonstrate tangible commitment to the private sector.

Again, the problem with expectations is why an expansion of monetary base today should be viewed as a commitment to increased money supply by the central bank permanently in the future. The inconsistency problem with the central bank can arise when the liquidity trap is over and nominal interest rate is positive, the demand for money will shrink and requires monetary base to reduce. In case the permanent expansion course is chosen by BoJ, it is difficult to estimate how much the monetary base would have to be expanded before the private sector expectation about inflation changes. Moreover, the permanent expansion in money supply in the future is not credible. The private sector is rationale and expects that the central bank will renege on its commitment if inflation grows. This may imply that monetary base expansion such as QEs has little or no effect due to the inconsistency its own policy.
DISCUSSION

Policy Actions: Evidence from the BoJ Balance Sheet

Monetary policy might be determined with central bank balance sheets which recorded what has been done in the past. Table 1 shows the BoJ balance sheet on the asset side in a simplified form. After the burst of bubble in late 1980s, there was a major change in the composition of central bank’s assets in 1991 when the BoJ raised the amount of loans by more than 80% from 61,595 to 101,323 (100 million) yen to fight the banking system distress at that time. However, the size of balance sheet as shown in total amount of assets remained almost unchanged.

Noticeable changes appeared in 1999 when the size of BoJ’s balance sheet increased approximately 20% from the previous year mainly from the changed composition due to the increased holding of JGSs. This corresponded to the ZIRP policy period. Again regarding the QE1 in 2001, the BoJ changed policy significantly as shown in both size and composition in the bank’s balance sheet mainly from short-term debt financing (financing bills, treasury bills, and treasury discount bills) and also long-term debt buying of JGBs. This was the starting point of massive Open Market Operation that had not done before. QE2 followed in 2008.
However, QE3’s signature is the tremendous change in size and composition of the BoJ’s balance sheet. Although JGBs buying was again the main policy measure and done from the start of QE2 in 2008, the quantity of monetary base which the BoJ injected into economy rose sharply from 891,786 to 1,416,007 (x100 million) yen or increased by more than 50% in a one year period. It is a fact that monetary policies after 1990 and the newest round (QE3) introduced by Abe’ administration in early 2013 had a different impact. The followings describes the considerations for the broken link in the monetary policy transmission mechanism channels.

**Impact on Asset Prices/Market Yields Channels**

The condition for the assets purchase to be successful depends on the sellers of assets needing to purchase other assets with money they receive. If they choose to retain the money, asset prices will not be bid up, their yields will not be further lowered, and portfolio rebalance effect will fail. Therefore, the impact of the central bank’s large-scale asset purchases (QEs) will depend in part on the substitutability of various types of asset. As mentioned earlier, each asset has its own characteristics in terms of risk and return. The more money sellers have, if markets are efficient, asset prices and their yields across the board should be expected to adjust to the quantity of money and also the news of the central bank’s QEs. The demand for money shown in Figure 5 will shift upward to $d_1$ in response to the QEs, as the lower yield results in money being less costly to hold from the shift of money supply to $S_1$. In the situation of near zero interest rate, yields in the markets are expected to be low, the changed in money demand will depend less than usual on the impacts of yield as $i_0$ lowers to a level near 0 in Figure 5. Focus will be on the risk that the sellers are prepared to accept in response to a higher portion of money holdings in their portfolio and retain it by not seeking to buy other assets. The higher the elasticity in the demand for money to the changes in yield the sellers have, the less will be on the final spending.

**Figure 5. Changes in Money Demand and Money Supply**

Source. Author.
Impact on Availability of Money and/or Credit Channels

QEs, credit provisions, and credit easing are differentiated. Credit easing policies are intended to ease the credit crunch in particular the market so the specific interest rates can be reduced and the market can restore its function. The U.S. Federal Reserve Bank’s Large Scale Asset Purchases (LSAPs) or BoJ Liquidity Provision Program are examples of credit easing targeted to improve the particular market function such as long-term bond market and reduce long-term interest rates. Hence, when the BoJ expands its balance sheet, it has to choose either items on the asset or liability side. For example, the policy might focus on the increasing reserves on the liability side of the central bank’s account while leaving the composition of loans and securities on the asset side unchanged. On the contrary, recently BoJ initiated lending programs that targeted JGBs buying on the assets side to inject reserves into the banking system, which is also QE.

In terms of credit provisions and credit easing, the quantity is less important than the availability in time of need. BoJ’s commercial paper and corporate bond facilities need not require large quantities of assets to be purchased to be effective, and success should not be measured by the quantity of purchases. Due to the financial risks involved, even a central bank selective high-quality private sector assets purchase should make it easier for companies with lower-quality debt to raise finance. A ready buyer such as the central bank, if needed, is more important and a signal that promotes confidence in other investors to hold such assets.

As can be seen from the BoJ’s balance sheet in Table 1 (from commercial paper column to pecuniary trusts column) support the above (availability) credit easing measures since the credit facilities such as commercial paper, corporate bonds asset-backed securities. Furthermore, equity buying, which has an unusual and unprecedented role for BoJ to engage in high risk securities for the first time in decades are provided to the private sector to improve the credit function of the market. Even though the total amount of provisions is small relative to other QE measures, the policy effectiveness depends heavily on the BoJ acting as a lender of last resort and a ready buyer when needed.

QEs, credit provisions, and credit easing are differentiated in some aspects, but finally all have an impact on financial institutions’ overall liquidity positions. More or less, reserves will increase. BoJ can provide more reserves to banks but these banks may or may not increase their lending from these additional reserves. The extent to which any improvement in the liquidity of banks’ balance sheets will encourage them to lend more will be driven by a number of considerations. Capital inadequacy to support more loans, insufficient demand for loans, or other financial stresses are a few examples of considerations. Excess reserves holding by banks is a good indicator of the broken link in monetary policy transmission mechanism that shows banks’ behavior after 1999: that they accumulated excess reserves instead of lending to their clients as shown in Table 2.

As already mentioned, it is longer term real interest rates that affect consumption and investment decisions. Even when the short nominal interest rate is at zero from the QEs measures as shown in Figure 2 and Figure 5, the long-term real interest rates need not be. Figure 6 shows the movement of long-term real interest rates from the 1 and 10 years JGBs yields adjusted with price index from figure 1. Their trends move downward for more than a decade but investors still bought, meaning the expectation of inflation did not change. Private sector mood of consumption and investment still believed that buying tomorrow is
cheaper than buying today in real returns as holding JGBs is negative over longer periods of time. Reducing long-term interest rates by using QEs seems to work, but to change the expectations of private sector about inflation is far from being achieved. There must be some difference to achieve success. For example, from 2004-2009, returns from long-term assets such as 1 or 10 years JGBs were in negative consecutively for almost five years, but could not provide help in spending in order to recover. Expanding the monetary base is not only an element of success.

**Figure 6. Real Return of 1 and 10 Year JGBs**

![Chart showing real return of 1 and 10 year JGBs](image)

*Source. BoJ (2015).*

**Response of Households and Companies**

How households and companies respond to changes in their money holdings and asset prices are important for the transmission mechanisms to succeed. The overall impact of an asset purchase programs on spending depends primarily on the response of households and companies to choose to pay down debt or increase spending.

The wealth effect channel explains the impact on household spending of an increasing in asset prices by households, but it does not explain in detail whether it is perceived to be persistent or not. If households expect asset prices to remain higher, the impact on spending will be stronger than the temporary high in the asset price. Additional wealth may be used to provide a precautionary buffer against future income shocks, so a limited impact on current spending will be a consequence. If this wealth is tied into pensions or other funds, increases in the value of assets may be less visible and/or more difficult to access in the short term so the households’ response may be slower or unnoticeable.

In case of companies, the lower the cost of borrowing as yields fall normally motivates companies to initiate new investment projects. But this is one side, another side depends heavily on expectations about the demand for their products. The extent to which the policy stimulus contributes to an improvement in confidence is likely to be more important.

The recent increase in stock prices and also land prices after QE3 are evidence supporting the wealth effect, but lacks complete success in stimulating household and company spending.
Inflation Expectation

It needs to be considered if the QE conducted by the BoJ from April 2013 under Abe’s regime ended the period of long deflation. Yano (2014) constructed a linear projection model to estimate Ex-Ante Real Interest Rates (EARR) and Inflation Expectation based on Mishkin (1981). Two major findings were obtained. First, a sharp decline of EARR and the sudden increase of Inflation Expectation (IE) after March 2013 were observed. Second, a structural break as a result of a regime change/shift of Japanese monetary policy occurred in April 2013 was confirmed by the significant applied dummy variable in the estimation model. As a consequence of these findings, Yano (2014) concluded that the QE policy from April 2013 ended the Japanese long-term deflation.

However, the facts from actual inflation as shown in Figure 7 does not entirely support this conclusion. If the actual inflation is consistent with IE as claimed, the strong trend of the price to move downward after the second quarter of 2014 shown in Figure 7 means the regime change/shift of Abe’s QE monetary policy works well from 2013/Q1-2014/Q1, but has a high possibility to fail as previous QEs policies as shown in Figure 1 due to the unchanging private sector future price expectation. Doubt about the ability and/or the will of BoJ to achieve the future inflation are the major concern since other channels work well as expected but could not change the price expectation. It is not an easy task for BoJ to change the IE so that consumers start to spend while the Japanese economy faces structural problems such as high deficit and high debt level, high proportion of the aging population, and the willing to accept a higher consumption tax burden. The declining trend in growth rate during 2013-4 and 2014/Q2-Q3 for two consecutive quarters as shown in Figure 8 together with the return of deflation expectation as prices dropped sharply from 2014/Q3 as shown in Figure 7 do not support the claim that Abe’s QE monetary policy has ended the long-term expectation of continued deflation.

CONCLUSION

In the first half of 1990s the BoJ was unconcerned with the low interest rate and low inflation which might result in a liquidity problem if low growth (Figure 2 shade area) happened concurrently. During that time, there was no major policy action except lower policy interest rates as anti-deflation policy. If preventive measures recommended by Federal Reserve Bank former chair Ben S. Bernanke (e.g., Bernanke in 2002 had the idea to prevent and cure deflation before he took office as chair of Federal Reserve Bank’s board of governors in 2006) were undertaken, the Japanese economy should be in good condition. Preventive deflationary policy is not entirely a cure but a preemptive measure. Preventive measures reduce the risk of falling into deflation such as: (a) a buffer zone of interest rate to keep a distance of nominal interest rate from zero bound; (b) a healthy, well-capitalized banking system and smoothly functioning capital markets as a defense against deflationary shocks; and (c) a more preemptive and aggressive cutting of rates if possible. What we have learned about policy actions was that during times when the central bank should not push interest rate down all the way to zero as the BoJ did during 1990-1996 or U.S. Federal Reserve Bank did during 2009 (Figure 2). Moreover, the preemptive and aggressive acts were far from decisive and were earlier than usual. The BoJ has taken more than a decade to change policy, until the Abe government.
There are at least three proposals to public to remedy the deflationary slump. Most of them, more or less, involve the change in inflation expectation of the private sector. First, Svensson (2003) proposed the optimal way through: (a) an explicit central bank commitment to a higher future price level; (b) concrete action that demonstrates the central bank’s commitment; and (c) an exit strategy on when and how to return to normal. Currency depreciation is an indicator and a direct consequence of higher price expectation. Second, Feldstein (2002) acknowledged the disadvantage of using discretionary fiscal policy as a counter-cyclical stabilization policy, but under the specific condition of a discretionary fiscal policy such as raising value added tax by 1% per quarter until it reaches 20% and simultaneously reduce the income tax rates to keep tax revenue unchanged as an alternative to monetary policy to stimulate demand by households and business. Third, Bernanke (2002, 2003), under the fiat money system, stated that central bank is able to increase nominal spending and inflation even when the short-term interest rate is at zero. The central bank can reverse deflation by injecting money into the economic system through asset purchases. With more money in the hands of the non-bank public and a lower short-term interest rate, the transmission mechanisms in various channels will work to increase aggregate demand. A commitment to keep short-term rates at zero for some time would induce a decline in long-term rates since the long-term interest rates represent averages of current and expected future short-term rates, plus term premium. Lower rates over the maturity spectrum of either or both public and private securities should help to increase spending demand which is the main cause of deflation.

However, there should be policy measures outside the control of the BoJ that affect the change in private sector future inflation expectation. Increasing VAT initiated by Noda’s regime and reducing corporate tax rate expected to have implications of changing future private sector inflation expectation, but these measures failed. On the contrary, the exchange rate compared to the USD has reversed sharply to depreciate not only by the change in current trade account into deficit due to an increase in import prices such as energy costs imports after Tsunami of 2011, but from the effect of the announcement by Abe’s campaign in 2012 to reduce it. Outside shocks that work through the expectation channel seems to work better than other channels.

In sum, the evidence on the transmission mechanisms does not fully support the measures to remedy deflation. During the 1990s and 2000s the BoJ monetary policies were able to manage, if not entirely control deflation. Inflation usually reverses to deflation shortly after QEs policy measures are over. It is more than two years since the new round of monetary policy introduced by Abe in early 2013, but success of outcome to reverse the deflationary expectation seems unobtainable.
Figure 7. Japan Monthly Price Index, All Commodities Goods (Hard Line) and Services (Dot-Dash Line) under the Regime Change/Shift of Abe’s Qe Monetary Policy


Figure 8. Japan Quarterly GDP Growth Rate (percent Change from Previous Period)

REFERENCES


The Proceedings of the 5th ICADA 2016
Table 1.
BoJ Accounts (Assets)
(100 million yen)

End of year

bill
purchased

Japanese
government
securities

Financing bills,
treasury bills,
and treasury
discount bills

Of which:
Financing
bills

Japanese
government
bonds

Commercial
paper

Corporate
bonds

Pecuniary
trusts (stocks
held as trust
property)

Assetbacked
Securities

Pecuniary
trusts (indexlinked
exchangetraded funds
held as trust
property)

Pecuniary
trusts (Japan
real estate
investment
trusts held as
trust property)

Loans and
bills
discounted

Cash
collateral for
Japanese
government
securities
borrowed

Loans (excluding
those to the Deposit
Insurance
Corporation)

Bills discounted

Total
(net assets)

1984

27,000

202,602

128,158

33,489

2,077

31,412

300,910

1985

52,932

172,786

112,996

44,567

1,982

42,585

311,207

1986

47,000

172,397

144,019

65,225

1,976

63,249

325,672

1987

47,993

196,402

138,392

65,668

1,812

63,856

347,398

1988

51,000

225,208

153,826

84,739

1,871

82,868

396,435

1989

92,000

253,481

208,445

69,450

2,374

67,076

451,307

1990

69,056

315,421

225,410

63,032

1,437

61,595

491,566

1991

108,199

241,467

179,755

102,670

1,347

101,323

495,913

1992

130,002

233,054

150,385

72,184

1,206

70,978

479,890

1993

85,014

313,565

193,166

60,700

1,562

59,138

501,709

1994

74,984

330,367

185,648

59,917

1,414

58,503

504,117

1995

104,338

375,358

162,741

23,904

839

23,065

542,958

1996

90,407

463,422

189,596

20,170

394

19,439

619,631

1997

95,008

473,660

192,334

49,274

257

46,085

1998

137,229

520,022

234,734

99,257

162

18,618

54,833

912,382

1999

130,904

692,362

233,609

39,672

89

17,626

99,553

1,113,478

2000

75,836

562,943

8,274

48

6,887

183,777

1,067,962

2001

207,143

755,911

269,092

80,296

486,819

8,161

0

8,161

109,784

1,175,079

2002

280,422

831,236

270,687

22,176

560,549

1,500

1,931

0

1,931

2003

238,429

935,026

291,013

99,612

644,013

514

18,994

1,411

0

1,411

1,313,685

2004

360,734

950,259

296,635

50,760

653,624

1,155

19,861

1,111

0

1,111

1,445,467

2005

440,899

989,175

357,837

51,306

631,337

1,208

19,453

0

0

0

1,556,071

2006

805,964

290,829

46,928

515,134

0

16,320

217,137

0

217,137

1,155,436

2007

704,612

223,081

64,445

481,531

0

15,194

292,404

0

292,404

1,112,844

2008

631,255

217,850

65,475

413,404

12,697

257,709

0

257,709

1,227,708

2009

719,900

237,510

482,390

0

2,047

13,353

325,041

0

325,041

1,225,336

2010

767,382

198,252

569,130

988

1,021

15,052

142

22

436,571

0

436,571

1,287,104

2011

901,964

240,563

661,400

19,830

15,298

14,694

8,290

644

395,581

0

395,581

1,430,219

2012

1,136,768

244,981

891,786

20,525

29,151

14,098

14,687

1,107

306,849

0

306,849

1,583,627

2013

1,813,958

397,950

1,416,007

21,941

32,042

13,603

24,973

1,401

269,191

0

269,191

2,241,897

160,953

205

714,584

0

1,251,263


Table 2.

Reserve Balances

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<th>Year or month</th>
<th>Required reserve balances</th>
<th>Average amount outstanding</th>
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<th>Excess Reserves</th>
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<td>28,545</td>
<td>28,576</td>
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<td>1987</td>
<td>29,849</td>
<td>29,881</td>
<td></td>
<td>32</td>
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<td>1988</td>
<td>35,479</td>
<td>35,513</td>
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<td>1989</td>
<td>41,431</td>
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ECONOMIC DEVELOPMENT OF JAPAN AND THAILAND: AN HISTORICAL PERSPECTIVE

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ABSTRACT

Two isolated and underdeveloped Asian countries, Siam (Thailand) and Japan, have diverged in development courses and outcomes. Both were forced to open their economy to Western contacts via trade in mid-nineteenth century. The era of modernization began in Siam under King Chulalongkorn (r.1868-1910) and in Japan under the Meiji Restoration period (1868-1912). However, the development outcomes were different. In the 1960s, Japan became the first Asian developed country while Thailand struggled to evolve from developing country status. This paper has two aims. The first aim is to compare the initial conditions and the institutional and socioeconomic policy changes in the 19th century between Japan and Thailand by revisiting Japan’s experiences. The second aim is to find how the development courses have been made on two issues, namely, the lack of entrepreneurship and the financial development.

KEY WORDS: Economic History, Economic Development, Finance and Entrepreneur Development

INTRODUCTION

Between Siam (Thailand) and Japan before 1868, the development phase initially shared the similarities as they were isolation Asia nations from western developed countries contact. Both, Siam in 1855 and Japan in 1858 according to selected chronology in table 2, were more or less forced to open its economy to western contact via trade and started the era of modernization since then. Coincidentally or not, Siam took the modernization at the same time under King Chulalongkorn period (1868-1910) and also Japan under the Emperor Meiji period (1868-1912). However, the development outcomes were quite different. Japan has become the first developed country in Asia after the World War II in 1960s while Thailand still struggled to come out of developing countries status.

It has been argued frequently based on Yasuba and Dhiravegin (1985) that economic development and industrialization were the main trends in Japan while de-industrialization and specialization in some primary commodities, particularly rice, were the major tendencies in Thailand after the end of isolation. What caused these divergent in economic development courses?

In historical perspective, this paper has two aims. First, to revisit and compare the initial conditions, and the institutional and socioeconomic policy changes in the 19th century in Japan and Thailand which will give the possible causes of divergent between these two
countries by using Japan’s experiences as a benchmark. Secondly, the aim is to find out how the divergent in development courses are made on two particular factors, namely, entrepreneur and financial development.

The methodology and also the organization of this paper start with the investigation in theoretical framework in the second section. Review of the related literatures are in the third section. Initial conditions, institutions and socioeconomic policies that both countries have at that time with respect to each country’s endowments and related policies, which might be affected, were revisit and also reinterpreted in the fourth section to study the important of economic development pattern between countries. In the fifth section, the new explanations from the revisited which might explain the divergent in development courses, as far as the author could explore, are presented. Conclusion is introduced in the last section. Since Thais usually did not written much about facts and figures of their own economy, especially before 1900, the available of information and data that will be used here came mostly from the sources which bias and accuracy were highly involved.

**THEORITICAL FRAMEWORK**

In term of rich and poor nation, the conventional difference in economic analysis is in the quantity in factor of production either in capital and also labor. In the rich nation, the more capital, the greater specialization and division of labor are applied in production than the poor. However, certain parameters such as tastes, technology and institutions both economic and noneconomic are given and fixed. In economic development perspective these parameters become the variables and effect the upper limits of economic achievements. To study development in economic historical perspective is more than counting endowment in quantity that each country had. The process of economic development not only involves the using of capital and labor, but the interactions among these parameters, which in historically aspect, are not given and fixed anymore. Essence of economic development, therefore, is the change in technology and social institutions, the change that permits those the upper limits to be expanded.

To study as a revisit in comparative analysis, the initial conditions, and the institutional and socioeconomic policy changes in the 19th century in Japan and Thailand will give the possible causes of divergent between these two countries.

The key agents, entrepreneurship and financial development\(^2\), will be studied in detail as factor in promoting and facilitating the institutional changes. In terms of theoretical framework, entrepreneurship and financial development are among the many institutions that impinge the economy and effect its performance either for better or worse. The transformation from nonmonetary (self-sustain economy) to monetary (market economy) system in both countries are good examples for the financial development since it bridges or mobilizes the savings to investment. Furthermore, the provision of entrepreneurship also acts as demand for and also supply of financial services. Therefore, the divergent causes between underdevelopment and development economies more or less rely on the degree these institutions changes either as financial intermediaries, as creators and providers of the means of payment and/or as potential entrepreneur success.

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\(^2\) Entrepreneurs are risk-taking and management while entrepreneurship means broadly the ability to recognize and exploit economic opportunity. Financial system is more than banking system. It includes also the payment system and also the money creation.
There are so many volume of research in the post World War II era on the cause of successful growth of Japan but the foundation for that growth should be laid somewhere before. Time frame for study lays on the period between early of 19th century till the start of the World War I which includes the period after industrial revolution in Europe.

**LITERATURE REVIEW**

There are two specific issues to review so that they should shed light to further comparative study. First, the attention will be paid on the study, as a revisit, of the initial conditions and socioeconomic changes in 19th century in Japan and Thailand. It has been heavily influenced and argued long time ago by Yasuba & Dhiravegin (1985) that economic development and industrialization were the main trends and one of the main causes of success for Japan’s development while de-industrialization and specialization in some primary commodities, particularly rice, were the major tendencies and causes of failure for Thailand’s development after the end of isolation in mid of 19th century. So the abundant of labor or the shortage of land might be the initial conditions for the causes of divergent, but the preparedness “well” in institutions and policies were the main and given more weight explanations for the subsequent contrasts in development of both countries. Family system (bilateral or unilateral), social class (samurai and corvee) or education system (*teragoya* and *wat*) and related policies are among the major socioeconomic institutions and policies had demonstrated as advantage/disadvantage causes for capital accumulation. The other ideas such as the center-periphery thesis (Wallerstein (1979)), or the staple theory (Watkins (1963)) as sub-class to this thesis, state that some regions, nations or classes are economically central to the system, whereas the others are peripheral. Therefore, the western countries are the central which had economic relationship as major buyers with peripheral, Thailand and Japan as sellers, through the international trade in their specific primary products.

Second issue to review is the entrepreneurship and financial development. Most of studies in this issue were done on the role of banking in the historical process of industrialization. Cameron (1967) and Cameron (1972) made a comparative study of the several European nations that achieved substantial industrialization as well as the “latecomers” such as Russia, United States and Japan. Main theme on this issue is whether the banking system makes positive and substantial contributions to economic development process. The banking’s contributions not only depend on quantity and quality of banking system, but the structural characteristics of the system which were shaped up by various government policies through laws and regulations that govern their behavior. The Gerschenkron hypothesis (Gerschenkron (1962)) is one of the most discussed explanations for the role of banking and the different development of industrialization patterns in various Europe nations. If the industrialization is treated as a process that spread from the birth place in England to the backward countries, then the backwardness should depend directly on the distance from the birth place and among the backwardness measures in consideration are capital and entrepreneurs. According to his idea, England began to industrialize with relatively small-scale enterprises and little capital from entrepreneur own savings. Growth took place by reinvestment profits which gained from entrepreneur’s specialization. Hence, internal finance is enough because enterprise is the sources of both entrepreneurship and capital. On the contrary, the birth of industrialization pattern is difference in case of German. Since German, by Gerschenkron hypothesis, was relatively more backward, had fewer potential entrepreneurs and less capital, as a result, the external finance by large scale banking system was more required and became the prime source of both capital and
entrepreneurship. In Russia, which is more backward than German or England by Gerschenkron hypothesis, the economic development needs more help in the eve of industrialization. The banking system alone is not adequate to the task of providing external finance and entrepreneurship, but need more intervention from other sources such as government in initiate large scale capital intensive industries.

**INITIAL CONDITIONS, INSTITUTIONS AND SOCIOECONOMIC POLICIES**

Modernization between Japan and Thailand that shaped up their present economy has been said frequently to start in the reign of Meiji and Chulalongkorn somewhere between late 1860s till 1990s. Chulalongkorn was one of the kings in Chakkri dynasty which were given the title of “Rama”. For the background of story, the successive of reigns of Chakkri dynasty are presented here as follow:

Table 1.

<table>
<thead>
<tr>
<th>Chakkri Dynasty</th>
<th>King</th>
<th>Known As</th>
<th>Period of Reign</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rama I</td>
<td>Yodfah</td>
<td>1782-1809</td>
<td></td>
</tr>
<tr>
<td>Rama II</td>
<td>Lertlah</td>
<td>1809-1824</td>
<td></td>
</tr>
<tr>
<td>Rama III</td>
<td>Nang Klaod</td>
<td>1824-1851</td>
<td></td>
</tr>
<tr>
<td>Rama IV</td>
<td>Mongkut</td>
<td>1851-1868</td>
<td></td>
</tr>
<tr>
<td>Rama V</td>
<td>Chulalongkorn</td>
<td>1868-1910</td>
<td></td>
</tr>
<tr>
<td>Rama VI</td>
<td>Vajiravuhd</td>
<td>1910-1925</td>
<td></td>
</tr>
<tr>
<td>Rama VII</td>
<td>Prajadipok</td>
<td>1925-1935</td>
<td></td>
</tr>
<tr>
<td>Rama VIII</td>
<td>Ananda-Mahidon</td>
<td>1935-1946</td>
<td></td>
</tr>
<tr>
<td>Rama IX</td>
<td>Phumiphon-Aduldet</td>
<td>1946-present</td>
<td></td>
</tr>
</tbody>
</table>

Source. Author.

**Industrial Revolution in the West and Foreign Trade Openness in the East**

The doctrine of open rather than close in international trade has major implication for production and trade structure. Before the start in the reign of Meiji and Chulalongkorn, the existing trade pattern at that time was conduct under the Canton System which the (Chinese) authority monopolized trade with foreign via government agents and also restricted to trade in authorized/restricted area and/or certain articles. Therefore, trade was restricted to certain items and monopolized by the king or denied to trade if the king had as much as he wanted. The king engaged with foreigners as a state trade. If the profit from trade was difficult to make, then the king might gave more freedom to traders but established an inland tax to compensate for the decreasing in profits. Under this conduct,
both Thailand between Rama I-III and Japan in Tokukawa period are said to live in isolation from the 17th -19th century.

The incoming of western nations to East Asia after the industrial revolution in Europe during the first half of 19th century was carried on under the name of trade liberalization. China has become the prime target to open free in trade due to the huge import of Chinese products which the western needed. With modernization these nations had from industrial revolution, the chronic trade deficit between Britain and China was solved with opium as a mean of payment instead of gold or silver. Therefore, the first opium war was unavoidable situation as a consequence of chronic trade deficit and also superior military power from modernization. Thailand and also Japan, more or less, have learned from the experiences of the fall of China to the western industrial revolution power. Reactions of both countries are quite similar, open instead of close local market to international trade as a de-isolation policy they did as a necessary condition to save country from colonization.

Foreign trade openness is the undeniable point of change in Thailand from self-sustain nonmonetary economy to an exchange monetary economy. Before the Bowring Treaty in 1855, the conduct of foreign trade was monopolized either by the king and his court or by individuals to whom monopolies were sold such as nobles and designated Chinese while profit from this trade was usually used as a main source of government revenues.

The arrival of John Bowring in 1855 was not by chance but the vision and desired of new monarch, king Mongut, to change the isolation policy. The fourth king in Chakri dynasty came to the throne at the age of 47 after spent 27 years in a Buddhist priest to give a way to the throne to his half-brother king Nang Klao. During his priest period was not in vain, he has learned English and was a scholar of ability to see and learn what were happened and going on in China. He saw in opposite with king Nang Klao about the isolation policy and convinced that Thailand would benefit from culture and commercial contact with the western nations. Instead of introduced 40 new taxes to compensate the reduction in revenue from state trade as previous king Nang Klao did, an increasing in income from more rice selling abroad will expand cultivated area for more production and also collected more export tax as a revenue to the nation. Hence, the doctrine of open rather than close in international trade will benefit more to majority Thais instead of restricted in trade which will benefit only to the minority either Chinese traders or smugglers3. This suggested that he had planned to abolish state trading that conduct by the former kings and designated individuals as authorized tax collectors as a main source of revenue to nation.

3 Lailak, S. (1933-56). “Declaration Using Tax Payment to Restore Capital 1857”, Collected Laws No. 5 (in Thai) pp. 283-285 said that the high price due to more rice export was legitimate since it help the rice growers and the citizen who had to bought at higher price should not worry because the collected rice export tax would be proceeded to buy construction materials to restore roads and bridges in the capital.
Table 2.

**Selected Chronology of Western Influences in East Asia**

<table>
<thead>
<tr>
<th>Year</th>
<th>Events</th>
<th>Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>1840</td>
<td>First Opium War between Britain and China</td>
<td>Nanjing Treaty 1842</td>
</tr>
<tr>
<td>1853</td>
<td>U.S. first arrived in Japan</td>
<td>U.S.-Japan Treaty of Peace and Amity 1854</td>
</tr>
<tr>
<td>1855</td>
<td>John Bowring arrived in Thailand</td>
<td>Treaty of Friendship and Commerce between Siam and Great Britain 1856</td>
</tr>
<tr>
<td>1856</td>
<td>Second Opium War between British and China</td>
<td>Tianjin Treaty 1858</td>
</tr>
<tr>
<td>1858</td>
<td>U.S. second arrived in Japan</td>
<td>U.S.-Japan Treaty of Amity and Commerce 1858</td>
</tr>
<tr>
<td>1868</td>
<td>Meiji and Chulalongkorn took reign</td>
<td>started of Meiji Restoration (1868-1912) and Chakkri Reformation (1868-1910)</td>
</tr>
</tbody>
</table>

*Source.* Author.
The Bowring Treaty has brought growth of rice export due to trade liberalization and transformed Thai economy to an exchange economy. According to Table 3 below, planted area of rice had been increased from period of king Mongut till the end of king Chulalongkorn in 1910 almost twice. Malloch (1852) also said the rice export of Thailand before king Mongut was around 200,000 picul in amount of 150,000 baht and it had been increased to 2.57 million picul or almost 10 times in 1870 as said in Siam Repository (1871). The increasing in supply came in response to foreign demand since prior to the Bowring Treaty there was no regular foreign demand due to the isolation policy.

Table 3.

<table>
<thead>
<tr>
<th>Year</th>
<th>Planted Area (million rai)</th>
<th>Output (million picul)</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1850</td>
<td>5.8</td>
<td>-</td>
<td>Ingram (1971)</td>
</tr>
<tr>
<td>1910</td>
<td>9.0</td>
<td>46</td>
<td>Statistical Year Book (1927)</td>
</tr>
</tbody>
</table>

Notes. 1 rai = 1.6 acre or 0.64 hectare, approximately 60 k.g. for 1 picul.

Source. Author.

Implication for Production and Trade Structure

Marketing and trade channel of the commodity such as rice is a good example of the basic characteristic of production and trade structure in Thailand which has been retained for a long time without any substantive changes even today. Rice grower and miller are separated completely with middlemen. Both did not perform the marketing function of moving paddy from producing area to mills or vice versa. Chinese acted as middlemen/entrepreneur and performed this function instead. They went into the rural area to buy paddy directly from grower and ship to sale to millers which located mostly along the Chao Phraya river. It was the Chinese that performed role of an exporter by buying rice from miller for export. Even today this marketing and trade channel has not been changed from the recent past. Acted as grower only, majority of Thais lack of knowledge and experience in markets, prices and business methods and also lack of fund. This meant that a rather large share of value added or profits from trade/export proceeds of rice are belonged to Chinese middlemen/entrepreneurs instead of them, even today.

In the aspect of growth, the Bowring Treaty had increased aggregate demand by bring foreign demand into Thai economy which was in state of under-full employment as plenty of land and labor were not utilized. Even the evidence of growth such as GDP data were not collected at that time, but the evidence from the expansion in quantity and widely used of money from an expansion of international trade due to the Bowring Treaty strongly supported. Immediately after the Bowring Treaty had been concluded and put in to effect, the incoming of foreign commercial ships in the following years were increasing to 103 ships while the outgoing were 37 ships.

International trade brought by these ships required money as a mean of payment and there was a lack of local money while there was a plenty of foreign money. As an emergency

\[4\] between 1859-1860 according to Chulalongkorn’s hand writing notes
solution, there was a proclamation decree\(^5\) to allowed foreign money to be used as a mean of payment under the fixed exchange rate. As shown in picture 1-2 below, most of foreign money at that time was in form of silver Spanish flat coin marked with eagle that had been used in Mexico while Thai local money was bullet shaped silver Poet Duang. Both were not specified their price, but by size and weight. According to that decree, a stamp from Thai government to authentic for local used as shown by marks of the official seal U-nalom (left) and Kongjak (right) on the surface of coin. Poet Duangs picture shown here were also mark with U-nalom seal.

As a result from foreign trade pattern, the modern monetary mechanism after the Bowring treaty was set naturally without government responsibility or control. When export was made, foreign silver coin was sold to the local treasurer in exchange for baht to pay for merchandises and vice versa for import. So the monetary system of Thailand had been started to develop according to this trade characteristics. During most of the period from 1850s to the end of reign of king Mongkut, net inflow of silver from current account surplus was sold to the mint and baht coins were paid out in exchange to represent simple but work effectively the domestic monetary circulation. The Bowring treaty also provided the unrestricted or tariff should be placed on import and export of gold and silver. Therefore, free flow of capital should support the monetary system to work automatically.

**Economic Aspect of the Abolish of Slavery and Corvee system**

The transformation from self-sustain to exchange economy would never been achieved if the slavery and corvee system were not abolished. In brief, corvee or so-called Prai (in Thai) is an unpaid labor system imposed by state on all ordinary male Thais mainly from 15-70 years of age except salve. It is the only and truly an indicator of feudal status in Thailand which reflects on the number of corvee not by the land area in possession according to title as in other countries. Therefore, all male Thais before the reign of king Chulalongkorn were not free man. If they were not slave they have to be an unpaid labor directly to the state agencies (Prai Luang) or indirectly via bureaucrat affiliation (Prai Som-Kumlang) for a certain period of time in each year\(^6\). The unpaid labor service period can be substituted with money in lieu of personal service (Prai Suai) either in tax in amount of 18 baht per year or in kind of specified commodities.

In economic aspect, this system was the main reason why Chinese were not like to be an insider as ordinary Thais at that time. Most of Chinese were immigrants from China on the journey to find a chance of good life. As a status as of an outsider, the most suitable job available was to be a merchant or middleman which did not subject to either land tax as a grower or in kind of tax as a corvee. Since Prai status is a subordinate to the head of state agencies or bureaucrats which conducted and monopolized trade, ordinary Thais do not wish to do an occupation such as trader that might create a conflict of interest with their superiors. The slavery and corvee system were abolished gradually by various measures starting from introduction of money-paid for government services to the introduction of the military draft act in 1905 which completely abolished the unpaid services from all Thais. Hence, they are free to work with their profits/self-interests. This is the basic condition to

\(^{5}\) Lailak, S. (1933-56). “Declaration to Use Foreign Money 1856” pp. 229-233. The exchange rate was specified at 3 Spanish coins for 5 bahts. Foreign coins were gradually withdrawn from circulation as a modern mint was established to make a flat round coins and became capable to meet the needs from trade.

\(^{6}\)For example, Rama I imposed 4 month-a-year consecutively while the later Ramas reduced to 3 month-a-year and non-consecutively unpaid labor service period.
transform to monetary exchange economy with division of labor or specialized in production which characterized by separated what they produce from what they consume instead of self-sustain economy which produced all necessaries for their own consume. Free to choose is the way to entrepreneur. As one of the provision in the Bowring Treaty said that British merchants were to be allowed to buy and sell directly with individual Thais without interference from any third party. Without the abolished of corvee, supply of labor force is inelastic to wage and aggregate supply cannot catch up with demand from international trade.

In sum, the increasing in aggregate demand from the expansion of international trade is the source of growth which induced the aggregate supply to follow since there are a lot of idle resources either by land or labor.

Picture 1.

*Foreign Money, silver Spanish Coin with Thai Government Seal*

*Source. Bank of Thailand.*
Picture 2.

_Thai Local Money, Poet Duang at various prices (1 baht price is the third from left)_

Source: Bank of Thailand.

**Revisit and Discussion**

The modernization (or westernization)\(^7\) period between 1850-1912 had sparked economic development and industrialization trend in Japan but not in Thailand. The trend in Thailand was said in the opposite where de-industrialization and specialization in primary commodities were the main trend\(^8\). In this section, the selected major initial conditions in Thailand and Japan will be revisited and reinterpreted in order to answer what are the differences that caused these divergent courses.

Firstly, the center-periphery thesis which asserts the center (the western industrial nations) will exploit the periphery by exercising either monopoly and/or monopsony powers seems to explain well under Thailand condition but not in Japan. Production and trade pattern in primary products had been abruptly changed to rice, tin, teak and rubber\(^9\) for money and for export due to foreign demand. International division of labor assigned Thailand to periphery to produce the most advantages products and export for international used was the production and trade pattern determined solely by monopoly and/or monopsony powers of centered foreigners. Considering on these four major export commodities, know-how and capital can be said that they are not belonged to Thais. Except for rice which related industry such as rice milled is done in Thailand, tin teak and rubber are usually bought and sold by foreigners as a primary product and for export only. They were rarely used as an input or could not be locally processed into industrial product either by vertical or horizontal industry. Thais’ role in production and trade structure is limited to grower or labor supply only. The entrepreneurship is in hand of foreigners especially

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\(^7\) since the new import products or non-products from western countries such as western dressing or constitution are believed as modern or advance norm in Thai society even today

\(^8\) Yasuba & Dhiravegin (1985)

\(^9\) rice, rubber, tin and teak export accounted more than 80 percent of export, among them rice dominated a large part of export during 1890-1951 see Ingram (1971) pp.94
Chinese. This production and trade structure is still dominated Thai economy until present day.

Secondly, although the structure has been changed from self-sufficient to monetary exchange economy due to the open trade under the Bowring Treaty, but will these selected socioeconomic differences as argued by Yasuba & Dhiravegin (1985) to be the divergent causes?

1. Family System

Even the bilateral family system, that does not distinguish between male and female children, or birth order, in distributing inheritances, is a typical throughout Southeast Asia nations, and claims to be inferior to unilateral family system in aspect of capital accumulation, but China is also the unilateral family nation and does not do well in capital accumulation as in Japan. The accumulated wealth by Chinese in Thailand was not from the unilateral family system alone, even most of Chinese typically came to Thailand alone, but mainly from the entrepreneur’s role they performed which opened wide opportunity to gain more as middlemen/entrepreneur rather than Thais as solely producer.

2. Samurai as a Middleclass

If samurais were treated as a new middleclass in Japanese society, at first they did not tend to perform the role of entrepreneurship. Since most of them have to depend or subject to their own master, they actually are not as a free man as male Thais under the corvée system either. With the maintained long peace period and their well educated in Tokukawa era (1603-1868), samurai families especially the low rank samurais gradually have become the foundation of modern business/entrepreneur class after the start of Meiji era rather than military figures. However, the wealth and rank of samurai usually do not coexist in Tokukawa society as the rise of monetary economy era. Therefore, in feudal aristocracy as in Tokukawa, low rank samurais’ stipends, which are fixed by in-kind amount of rice rather than income, tend to lag behind merchants and farmers even their social status is superior. Economic liberalization policies in Meiji were the favorable to the rise of modern entrepreneurship to free the economic activities from the feudal restrictions that Thai’s economy did not have\(^{10}\). When Thailand and Japan ports had been opened to foreign trade, the implications were not the followed the similar pattern.

3. Education System

The late introduction in formal education system in Thailand is surely a cause of divergent, but the comparison in informal (temple school) education system between teragoya and wat is not appropriated to conclude to be the same in education provider. The wat or temple is a religious institution that provides a Buddhism education for male Thais as monks only. Therefore, the ability to read and write in Thai and in particular Pali language is basic requirement in order to study Buddhism and wat does not provide and prohibits, even today, for the general education to monks. Therefore, early education system by informal school such as teragoya in Japan and wat in Thailand are totally different and unable to be a cause of divergent in general education provider aspect.

\(^{10}\) According to Jacobs (1971), Thailand is Patrimonial which is a subclass of Bureaucratic Polity and tend to be centralized rather than decentralized society as feudal aristocracy in Japan. Therefore, entrepreneurship normally is better supported in the decentralized society rather than centralized one.
Thirdly, imbalance in foreign trade statistics after trade liberalization till the World War I illustrates difference implications. According to figure 1 and 2 Thailand was in favorable situation to reallocate and change course of production from primary to more value added such as secondary products. Free trade with new land was available with either low or without tax means Thais comparatively still work in rice cultivation since it was relatively more productive than in trade which rent opportunities elsewhere were limited by the low tariff and unrestricted on import foreign goods by foreign treaty. The unrestricted immigrant Chinese relieved the wage pressure from either as labor or relatively more comparative advantage as middleman/entrepreneur role. Therefore, no forces of change in these basic conditions appear in sight. Thailand at that time could surpass Japan in economic development because of more favorable factors either from trade openness or trade surplus. As a consequence and sharp contrast situation, the Japan had no choices but took industrialization as a path of development in order to create more value added products to solve trade deficit. In order to do so, financial development to bring in capital and entrepreneurship for new business or new technology were the necessary conditions. Thailand economic changes in late 19th century were in volume either in inputs or outputs rather than in their production methods due to the change in technology. Japan’s trade deficit at first yield better results in development later since there were forces of changes from the changes in capital and knowhow from import goods. Trade imbalance in both countries at the same time gave different result.

**Figure 1.** Thailand Foreign Trades and Net Treasures

![Graph](image)

**Notes.**
1. Treasure exports between 1865-6, 1885-94, and 1942-9 were included in total export, therefore net treasure in those year were net of treasure from imports only. Treasure here includes precious metal such as coin, bullion and gold leaf which can be used as a mean of international payments to settle monetary debts.
2. Prior to 1920, the figures refer to the port of Bangkok only. The largest omission was the trade of tin exports and consumer-goods imports in the southern Thailand.

**Source.** Selected and rearranged from Ingram (1971) appendix C, statistics of foreign trade.
Figure 2. Japan Foreign Trades and Net Transfer from Abroad

Source: selected and rearranged from Ohkawa (1979) table A31.

WHAT WENT WRONG?

The surplus in balance of payment suggests the undeniable fact that Thailand had savings from trade. But why such a long period of these savings accumulation could not be used to transform economy to change by improving in technology progress or forward/backward linkages in either or both industry and agriculture sector as Japan did. The divergent course of development between Thailand and Japan might come from the following factors as alternative explanations.

The Lack of Financial Intermediaries

As basic principal in a market oriented economy\textsuperscript{11}, a high rate of growth requires the development of primary securities market and financial intermediaries to go together. Primary securities comprise of debt and equity issue from non-financial spending units such as consumers, businesses, government agencies and foreign sector which issue primary securities in form of mortgages, government debt, corporate equity and bond, consumer debt, and variety of short term claims either for trade or business in order to produce or purchase current output as a direct finance. On the other way, financial intermediaries as indirect finance stand between ultimate borrowers and ultimate lenders to acquire the primary securities of the former and to provide indirect securities to the latter in form of currency, bank deposits, shares and even bonds. Output growth over the long run can take place only if the most promising spending opportunities are exploited and are not likely to be disturbed easily by current income. The financial development could be interpreted not only as development in financial institutions such as banking development, but as the development policies towards related institutions such as law to govern and legalize the issue of primary securities as financial assets. Otherwise, primary securities and financial assets could not transact, accumulate, and use to support real sector development.

\textsuperscript{11} For the financial aspects and economic growth see Gurley & Shaw (1955 and 1956) and Ott (1961) for empirical evidence in case of Japan and U.S.
Without primary securities market and financial intermediaries, there were no financial instruments to exchange for and no place to make deposit or loan. Savings have to accumulate through tangible assets such as precious metal or commodities rather than financial assets. Money lenders were believed to exist but their capability in development were limited to provide loan on their capital base, not from deposits base as banks do. The lack of or late introduced financial intermediaries and related policies to support for economic development might be alternative explanations.

As empirical evidence, most of foreign trades were in hand of foreign merchants using foreign banks in support their business. The Central Bank of Western India was recorded as the first foreign bank in Japan that opened its branch in treaty port Yokohama in 1863 for buying and selling bill of exchange with foreign firms. Thailand also followed this pattern. In 1888 Hong Kong and Shanghai Bank was the first with other foreign banks which had set up branches in Bangkok. Since trade finance commonly conduct by foreign money at that time in form of silver/gold coins rather than baht (or yen) paper money, all foreign banking business such as buy and issue drafts, letters of credit and issue local paper money for their clients’ payments were conduct independently from local savings. To establish the financial intermediaries to bridge between foreign money into domestic money or vice versa was the way to accumulate capital from trade for growth.

In case of Japan with trade deficit and low amount of specie as reserve for paper money conversion in early of Meiji restoration period, the local Yokohama Specie Bank\(^{12}\) was set up in 1880 and designed for handling foreign trade finance with either local or foreign firms and absorbed specie from abroad by engaging in transactions connected with financial instruments in form of foreign bill exchange business. In financing Japanese exports, YSB had advanced in local yen paper money by buying bill of exchange on the security of export goods as collateral from Japanese merchants who used to sell directly to foreigners, and then act as collector for payment from that bill of exchange. Under this procedure, YSB would be authorized foreign exchange business for promoting (major) exports such as silk yarn and tea and had become the important financial institution before the Bank of Japan started up its central bank functions through which government could gather the inflow specie as basis for currency issuing. Even trade position still in deficit, but net inflow of specie was the result for the first time in Meiji period after year 1881 and became the major source of foreign money to finance other industries development\(^{13}\). This consequence paved way for the establishment of national currency in the later year. On the contrary, Thailand could not reap the benefits from surplus in foreign trade due to the unpreparedness its own financial development either in numbers of financial intermediaries

\(^{12}\) At the outset of Meiji period, there was high risk of inflation from the existed in large number of government notes which effectively no potential of convertibility but constantly in circulation. Discrepancy between yen paper money and silver money had been getting larger as more paper money was added. To solve the problem of too much paper money in circulation, the local western American type bank was first introduced in 1873 as national bank with a given authorization to issue its own paper money as ratio to its own capital in order to lure the government bond holders such as former feudal lords and ex-samurais to use their bonds as capital to set up bank. As a consequence, number of bank had been increased from 2 banks in 1873 to 153 banks in 1879, using paid-in capital as source of funds to make loans instead of savings mobilization. Advances over deposits ratio was 1.17 in 1873 and rise-up to 3.16 in 1879 which mean advances was exceeded deposits about 17 percent in 1873 and grew to more than 3 hundred percent 6 years later without the lender of last resort facilities from central bank.

\(^{13}\) the accumulation of specie had remarkable effect on the development policies towards related institutions, such as it closed the discrepancy between value of yen paper money and silver money so that the two values entirely disappeared in 1886.
or their related development policies. The first local bank, which was late set up for almost 40 years after the Bowring treaty, did not engage to do business in foreign trade finance or used the net inflow of specie to develop other industries.

The Lack of Entrepreneur

Why entrepreneur role is so important and makes a divergent to course of development in both countries? During the first 10 years after 1868, both shared the same export primary and/or cottage industry products but the major different lied on imports and home market industries development. Because of financial intermediaries were underdeveloped, the Thai savers who usually assumed role as non-entrepreneur stored their wealth in unproductive items such as precious metal while left the entrepreneur role to foreigners mainly Chinese who employed their capital at first in trade and then in industries later. Rice is a good example. At first, Chinese act as middleman between foreign buyers and Thai farmers. Then with their own profits as internal finance, they act as entrepreneur in financing Thai farmers for all they need on one hand and on the other hand starting related industry such as rice milling and finally act as exporter for the rice they get. The need for savings was narrow down to the few foreign entrepreneurs since internal finance was not enough. Entrepreneurial activities and financial development came in form of the relationship between banks and industrial finance. Without organized sources of capital for industrial ventures such as no industrial banks, no private market for stock and bond to exchange or conservative role of government in such venture businesses, there was a weak in supporting local entrepreneurs in Thailand.

On the contrary, during the same period, Japanese banks had been set up by government initiative to provide funds for industrial development. The cotton industry is a good example. The cotton yarns became the main import intermediate product which indicated the existing of forward linkage weaving and other manufacture industries. With the help from government policy in set up bank for funds needed for expansion which might exceed the firm paid-in capital and internal reserves for the raw material (as working capital) and machinery (as fixed investment) import finance, there appeared an increasing in import and expansion of domestic industries. Even the cotton industry had to import raw material from abroad but could raise up productivity through the new technology from import machines as Japan did for industrial revolution. In contrast, Thailand also constantly import cotton yarns as input for domestic cloth industries but the production of cloth was slow and could not substitute import cotton manufactures as shown by increasing in import of cotton manufacture products in table 4.

Moreover, by Gerschenkron hypothesis, on the eve of industrialization in more backward countries, the banking system alone is not adequate to the task of providing external finance and entrepreneurship, but need more intervention from other sources such as government in initiate large scale capital intensive industries. Such intervention needs healthy public finance. Public revenues after the Bowring treaty were limited due to the low ceiling 3 percent import duty and inland taxes were mostly abolished. The prime concern in tariff policy of Thai government from the past can be said to be on revenue rather than instrument for industry protection. Thus, with the lost in tariff autonomy, government supporting industry activities had been limited to public securities related projects such as railways or military equipment rather than providing external finance and entrepreneurship initiative. At the same period Japan also lost tariff autonomy from the open treaty, but act in the opposition. The new explanation for divergent course in
development path might lie on the different in nature of imports between both countries. For most parts of Thailand imports during 1859-1910 were on luxury goods rather than intermediate or capital goods\textsuperscript{14} which comparatively could be adjusted rather easily and in almost the same degree when income from exports fall. In other words, imports of Thais determined the needs for their exports. Thus, the lost in tariff autonomy and the relatively small domestic markets for most of commodities home industries should not be the cause of the decline in industrial development in Thailand but the lack of entrepreneurship and supporting policies from government should be blamed for instead.

Table 4.

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan Import (in million yen)</th>
<th>Thailand Import (in thousand baht)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cotton manufactures</td>
<td>Raw</td>
</tr>
<tr>
<td>1859</td>
<td>1,500</td>
<td>180</td>
</tr>
<tr>
<td>1864</td>
<td>1,660</td>
<td>270</td>
</tr>
<tr>
<td>1867</td>
<td>2.54</td>
<td>1.68</td>
</tr>
<tr>
<td>1870</td>
<td>1,530</td>
<td>320</td>
</tr>
<tr>
<td>1872</td>
<td>4.89</td>
<td>5.42</td>
</tr>
<tr>
<td>1877</td>
<td>0.81</td>
<td>4.50</td>
</tr>
<tr>
<td>1880</td>
<td>2760</td>
<td>460</td>
</tr>
<tr>
<td>1882</td>
<td>4.23</td>
<td>7.03</td>
</tr>
<tr>
<td>1887</td>
<td>3.39</td>
<td>9.15</td>
</tr>
<tr>
<td>1892</td>
<td>3,600</td>
<td>510</td>
</tr>
</tbody>
</table>


CONCLUSION

Firstly, the initial conditions were revisit and reinterpreted to answer what caused the divergent in development course between two countries. The similar is on the de-isolation policy. International division of labor to let Thailand produce the advantage products with the imported technology for export used only is the foreseeable outcome. Cause of growth mainly came from foreign demand in Thai’s primary products. The dis-similar is on the trade surplus after the Bowring Treaty. Private domestic savings did not grow since surplus or income was mainly in hand of foreigners that took the entrepreneur’s role. Due to the lack of savings, the attitude towards low investment either in human in form of education or in infrastructures/institutions from government initiatives is more or less unavoidable outcome.

Secondly, although Thailand had growth consecutively for almost 100 years without major disruption, but the phases of development did not change as expected. Primary products such as rice and rubber were still dominated export products since the Bowring Treaty in 1858 till the early of 1950s. There was no significant change into secondary product as the industrial development was not followed.

\textsuperscript{14} The percentage of “fuel and raw materials” to total commodities imports were less than 10 percent during 1859-1910 while the rest were on finished and consumer products, Ingram (1971) p.129
Thirdly, the long period of saving accumulation due to the trade surpluses after the Bowring Treaty could not be used to transform economy to change by improving technology as Japan did. The new explanations for the divergent course of development between Thailand and Japan came from (1) the lack of financial intermediaries and (2) the lack of entrepreneur. The first implies for the lack of appropriated channel to mobilize fund while the second implies for the lack of savings in the economy.
REFERENCES


PERCEIVED TEACHERS’ STRESS IN RELATION TO PERSONALITY TRAITS AS PREDICTORS

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ABSTRACT

In this study the researchers examined the perceived level of stress of public elementary school teachers in relation to their personality traits. A total of 420 teachers currently teaching in East District, Angeles City, Philippines were chosen as respondents. To receive reliable data, only 104 teachers who willingly and voluntarily participated were assessed and included in the study. The level of stress was measured using the NUT Teacher Well-Being and personality traits were assessed using the Big Five Inventory. Likert scales, frequencies, percentages, means, standard deviation, and logistic regression were utilized to satisfy the objectives of the study. Results showed that teachers had low levels of stress and had greater levels of well-being. Agreeableness appeared to be the predominant personality trait and neuroticism being the least. Teachers who had traits associated with extraversion, agreeableness, conscientiousness, and openness were more likely to have greater levels of well-being and lower levels of stress. On the other hand, those who had neuroticism as a predominant trait had lower levels of well-being and higher levels of stress. In line with the results, it is concluded that personality traits appeared to strongly predict the levels of stress among public school teachers.

KEY WORDS: Perception, personality traits, public school teachers, stress, predictor, well-being

INTRODUCTION

Stress is a part of the fabric of life. Nothing can isolate stress from human beings. Stress can be managed but not simply done away with (Roxas, 2009, p. 87). Teachers are not exempt from experiencing stress considering the fact that aside from completing files of paperwork and rendering full-time commitment to school activities, they also deal squarely face-to-face with highly mobile school children, colleagues, superiors, parents, and stakeholders. Stress has been defined by Kyriacou (2001) as “the experience by a teacher of unpleasant negative emotions, such as anger, anxiety, tension, frustration or depression, resulting from some aspect of their work as a teacher” (p. 28).

Stress affects one’s behavior, performance, and attitude (Hussain, 2010, p. 30). However, Dennis (2008) stated that teachers who do not burnout from teaching despite continued immersion in the same environments as teachers who do not suffer from burnout suggests
that there may be personality characteristics that help buffer the teacher against the negative factors found within the work environment (p. 59). Personality stands for a person’s values, preferences, needs, stable dispositions or emotional characteristics (Salami, 2011, p. 111). Popoola and Ilugbo (2010) stated that various attempts have been made to identify factors that predispose people to stress and those attempts have established an association between the incidence of stress and the personality of individuals (p. 175). The studies of Barganier (2007), Kokkinos (2007), Subburaj, Shunmuga Sundaram, Sekar, and Sumathi (2012) and Salami (2011) also established a link between the incidence of stress and the personality traits of the individual as stress predictors. Hence, it is important to research the relationship of personality traits as predictors of teachers’ stress to uncover evidence of any connection between the constructs.

**Statement of the Problem**

1. What is the level of stress in relation to each of the personality traits of public elementary school teachers?

2. Do the personality traits of extraversion, agreeableness, conscientiousness, neuroticism, and openness significantly predict the levels of stress experienced by public elementary school teachers?

**Hypothesis**

1. The personality traits of extraversion, agreeableness, conscientiousness, neuroticism, and openness do not significantly predict the levels of stress experienced by public elementary school teachers.

**METHOD**

**Participants**

The participants were 140 public elementary school teachers from East District, DepEd Division of Angeles City, Philippines. The study was conducted during the second quarter of the Academic Year 2014-2015. The youngest among the respondents was 21 years old and the oldest was 62 years old with a mean age of 33.58 years old. The years of teaching experience ranged from 1 to 27 years. On average the teachers were new in the teaching profession (M = 7.47). Males were underrepresented in the study, only 11 (10.6%) were males and 93 (89.4%) were females.

**Instruments**

Two research instruments were used to collect the data for the study. These was the Teacher Stress Survey (National Union of Teachers (NUT) Teacher Well-Being “Ready Reckoner” (NUT, 2012) and The Big Five Inventory (BFI) (John & Srivastava, 1999). The Teacher Stress Survey-Teacher Well-Being “Ready Reckoner” was used to ascertain the extent of workplace stress being suffered by public elementary teachers. It was used to gather relevant information on levels of stress of teachers within the context of the school and work situation. It was a 26-item survey and used a 5-point Likert scale ranging from not at all (1) to very much so (5). High scores are suggestive of lower levels of stress while
lower totals tend to indicate elevated degrees of stress. On the other hand, the BFI was a 44-item inventory that measures an individual on the Big Five Factors (dimensions) of personality traits termed as Extraversion, Agreeableness, Conscientiousness, Neuroticism and Openness. The BFI used a 5-point Likert scale, ranging from Disagree Strongly (1) to Agree Strongly (5).

**Data Analysis**

The Statistical Package for Social Sciences (SPSS 17.0) software was used to identify significant predictors of stress. Likert scales, frequencies, percentages, means, standard deviation, minimum and maximum values for all the measures utilized in the study were used to describe demographic and descriptive variables. Multiple logistic regression analysis was employed to find if each of the personality traits significantly predicts the levels of stress experienced by the teachers. Logistic regression was used to determine the impact of multiple independent variables presented simultaneously to predict a categorical dependent variable (Wuensch, 2014). A significant level of 5% was used throughout the analysis of output in finding the correlations between variables.

**RESULTS**

Table 1 shows the teachers’ level of stress and the overall descriptive ratings of the stress items based on Teacher Stress Survey National Union of Teachers (NUT) Teacher Well-Being “Ready Reckoner.” Table 2 presents the descriptive statistics of the categorized responses on the BFI items, and the overall descriptive rating for BFI is presented in Table 3. Table 4 presents the regression analysis between each of the personality traits and the levels of stress of the teacher-respondents.
Table 1.

*Distribution of the Levels of Stress and Overall Descriptive Statistics of the Responses on Nut Teacher Well-Being “Ready Reckoner” Stress Items*

<table>
<thead>
<tr>
<th>Levels of Stress</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>53</td>
<td>50.96</td>
</tr>
<tr>
<td>Moderate</td>
<td>51</td>
<td>49.04</td>
</tr>
<tr>
<td>Total</td>
<td>104</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Overall descriptive statistics of the responses on NUT Teacher Well-Being “Ready Reckoner” stress items

<table>
<thead>
<tr>
<th>Total Score</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stress questions 1-26</td>
<td>67</td>
<td>129</td>
<td>100.08</td>
<td>12.16</td>
</tr>
</tbody>
</table>

Descriptive Rating: moderate evidence of stress, low evidence of stress

Notes. Stress Level/Well-being benchmark: up to 50 - high evidence of stress/poor mental health, 51-100 - moderate evidence of stress/moderate level of well-being, more than 100 - low evidence of stress/greater level of well-being.

Table 1 shows that among the 104 teachers who voluntarily participated in the study, 53 (50.96%) are experiencing low level of stress and 51 (49.04%) have moderate level of stress.

It is therefore evident that the current group experienced low to moderate levels of stress. It also shows the calculated total scores of the responses. Using the scoring of the NUT stress/well-being instrument, which stated that, the higher the score, the higher the well-being, and having a higher well-being mean having lower evidence of stress, the minimum mean rating of 67 is suggestive of the moderate evidence of stress and the maximum mean rating of 129 indicates low evidence of stress, the average mean score of 100.08 exceeds the moderate level bracket. Thus, this indicates that the teachers in some public elementary schools of Angeles City had low evidence of stress and greater level of well-being.
Table 2.

**Descriptive Statistics of the Categorized Responses on the Big Five Inventory (BFI) Items**

<table>
<thead>
<tr>
<th>Extraversion survey items</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>SD</th>
<th>DR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is talkative</td>
<td>1</td>
<td>5</td>
<td>3.01</td>
<td>1.235</td>
<td>N</td>
</tr>
<tr>
<td>6. Is reserved (Reverse-scored)</td>
<td>1</td>
<td>5</td>
<td>2.39</td>
<td>.929</td>
<td>DL</td>
</tr>
<tr>
<td>11. Is full of Energy</td>
<td>1</td>
<td>5</td>
<td>3.87</td>
<td>.956</td>
<td>AL</td>
</tr>
<tr>
<td>16. Generates a lot of enthusiasm</td>
<td>2</td>
<td>5</td>
<td>4.00</td>
<td>.776</td>
<td>AL</td>
</tr>
<tr>
<td>21. Tends to be quiet (Reverse-scored)</td>
<td>1</td>
<td>5</td>
<td>2.42</td>
<td>1.049</td>
<td>DL</td>
</tr>
<tr>
<td>26. Has an assertive personality</td>
<td>1</td>
<td>5</td>
<td>3.56</td>
<td>.774</td>
<td>AL</td>
</tr>
<tr>
<td>31. Is sometimes shy, inhibited (Reverse-scored)</td>
<td>1</td>
<td>5</td>
<td>2.63</td>
<td>.987</td>
<td>N</td>
</tr>
<tr>
<td>36. Is outgoing, sociable</td>
<td>1</td>
<td>5</td>
<td>3.32</td>
<td>1.209</td>
<td>N</td>
</tr>
<tr>
<td>Grand Mean</td>
<td>3.15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Agreeableness Survey Items</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>SD</th>
<th>DR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Tends to find fault with others (Reverse-scored)</td>
<td>2</td>
<td>5</td>
<td>3.87</td>
<td>1.053</td>
<td>AL</td>
</tr>
<tr>
<td>7. Is helpful and unselfish with others</td>
<td>1</td>
<td>5</td>
<td>4.19</td>
<td>1.053</td>
<td>AL</td>
</tr>
<tr>
<td>12. Starts quarrels with others (Reverse-scored)</td>
<td>1</td>
<td>5</td>
<td>4.33</td>
<td>1.202</td>
<td>AL</td>
</tr>
<tr>
<td>17. Has a forgiving nature</td>
<td>1</td>
<td>5</td>
<td>4.15</td>
<td>.879</td>
<td>AL</td>
</tr>
<tr>
<td>22. Is generally trusting</td>
<td>1</td>
<td>5</td>
<td>4.28</td>
<td>1.009</td>
<td>AL</td>
</tr>
<tr>
<td>27. Can be cold and aloof (Reverse-scored)</td>
<td>1</td>
<td>5</td>
<td>3.23</td>
<td>1.081</td>
<td>N</td>
</tr>
<tr>
<td>32. Is considerate and kind to almost everyone</td>
<td>2</td>
<td>5</td>
<td>4.22</td>
<td>.696</td>
<td>AL</td>
</tr>
<tr>
<td>37. Is sometimes rude to others (Reverse-scored)</td>
<td>1</td>
<td>5</td>
<td>4.03</td>
<td>1.065</td>
<td>AL</td>
</tr>
<tr>
<td>42. Likes to cooperate with others</td>
<td>1</td>
<td>5</td>
<td>4.27</td>
<td>.791</td>
<td>AL</td>
</tr>
<tr>
<td>Grand Total Mean</td>
<td>4.06</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Conscientiousness Survey Items</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>SD</th>
<th>DR</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Does a thorough job</td>
<td>1</td>
<td>5</td>
<td>3.92</td>
<td>.889</td>
<td>AL</td>
</tr>
<tr>
<td>8. Can be somewhat careless (Reverse-scored)</td>
<td>1</td>
<td>5</td>
<td>3.23</td>
<td>1.036</td>
<td>N</td>
</tr>
<tr>
<td>13. Is a reliable worker</td>
<td>1</td>
<td>5</td>
<td>3.98</td>
<td>.924</td>
<td>AL</td>
</tr>
<tr>
<td>18. Tends to be disorganized (Reverse-scored)</td>
<td>1</td>
<td>5</td>
<td>3.52</td>
<td>1.166</td>
<td>AL</td>
</tr>
<tr>
<td>23. Tends to be lazy (Reverse-scored)</td>
<td>1</td>
<td>5</td>
<td>3.53</td>
<td>1.269</td>
<td>AL</td>
</tr>
<tr>
<td>28. Perseveres until the task is finished</td>
<td>1</td>
<td>5</td>
<td>4.04</td>
<td>.924</td>
<td>AL</td>
</tr>
<tr>
<td>33. Does things efficiently</td>
<td>2</td>
<td>5</td>
<td>4.05</td>
<td>.702</td>
<td>AL</td>
</tr>
<tr>
<td>38. Makes plans and follows through with them</td>
<td>1</td>
<td>5</td>
<td>3.63</td>
<td>.947</td>
<td>AL</td>
</tr>
<tr>
<td>43. Is easily distracted (Reverse-scored)</td>
<td>1</td>
<td>5</td>
<td>3.28</td>
<td>1.101</td>
<td>N</td>
</tr>
<tr>
<td>Grand Total Mean</td>
<td>3.69</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Neuroticism survey items</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>SD</th>
<th>DR</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Is depressed, blue</td>
<td>1</td>
<td>5</td>
<td>2.39</td>
<td>1.047</td>
<td>DL</td>
</tr>
<tr>
<td>9. Is relaxed, handless stress well (Reverse-scored)</td>
<td>1</td>
<td>5</td>
<td>2.39</td>
<td>.875</td>
<td>DL</td>
</tr>
<tr>
<td>14. Can be tense</td>
<td>1</td>
<td>5</td>
<td>3.19</td>
<td>.986</td>
<td>N</td>
</tr>
<tr>
<td>19. Worries a lot</td>
<td>1</td>
<td>5</td>
<td>2.57</td>
<td>1.113</td>
<td>N</td>
</tr>
<tr>
<td>24. Is emotionally stable, not easily upset(Reverse-scored)</td>
<td>1</td>
<td>5</td>
<td>2.47</td>
<td>1.061</td>
<td>DL</td>
</tr>
<tr>
<td>29. Can be moody</td>
<td>1</td>
<td>5</td>
<td>3.16</td>
<td>1.133</td>
<td>N</td>
</tr>
<tr>
<td>34. Remains calm in tense situations (Reverse-scored)</td>
<td>1</td>
<td>5</td>
<td>2.12</td>
<td>.780</td>
<td>DL</td>
</tr>
<tr>
<td>39. Gets nervous easily</td>
<td>1</td>
<td>5</td>
<td>2.97</td>
<td>1.127</td>
<td>N</td>
</tr>
<tr>
<td>Grand Total Mean</td>
<td>2.66</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Openness survey items</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>SD</th>
<th>DR</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Is original, comes up with new ideas</td>
<td>2</td>
<td>5</td>
<td>3.87</td>
<td>.777</td>
<td>AL</td>
</tr>
<tr>
<td>10. Is curious about many different things</td>
<td>1</td>
<td>5</td>
<td>3.92</td>
<td>.772</td>
<td>AL</td>
</tr>
<tr>
<td>15. Is ingenious, a deep thinker</td>
<td>1</td>
<td>5</td>
<td>3.63</td>
<td>.738</td>
<td>AL</td>
</tr>
<tr>
<td>20. Has an active imagination</td>
<td>2</td>
<td>5</td>
<td>3.77</td>
<td>.791</td>
<td>AL</td>
</tr>
</tbody>
</table>

Grand Total Mean 3.15  Neither agree nor disagree
Table 2. (Cont.)

<table>
<thead>
<tr>
<th>Openness survey items</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>SD</th>
<th>DR</th>
</tr>
</thead>
<tbody>
<tr>
<td>25. Is inventive</td>
<td>1</td>
<td>5</td>
<td>3.47</td>
<td>.750</td>
<td>N</td>
</tr>
<tr>
<td>30. Values artistic, aesthetic experiences</td>
<td>2</td>
<td>5</td>
<td>3.90</td>
<td>.819</td>
<td>AL</td>
</tr>
<tr>
<td>35. Prefers work that is routine(Reverse-scored)</td>
<td>1</td>
<td>4</td>
<td>2.18</td>
<td>.721</td>
<td>DL</td>
</tr>
<tr>
<td>40. Likes to reflect, play with ideas</td>
<td>1</td>
<td>5</td>
<td>3.59</td>
<td>.820</td>
<td>AL</td>
</tr>
<tr>
<td>41. Has few artistic interest (Reverse-scored)</td>
<td>1</td>
<td>5</td>
<td>2.89</td>
<td>.994</td>
<td>N</td>
</tr>
<tr>
<td>44. Is sophisticated in art, music, or literature</td>
<td>1</td>
<td>5</td>
<td>3.38</td>
<td>.987</td>
<td>N</td>
</tr>
<tr>
<td>Grand Total Mean 3.46 Neither agree nor disagree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes. Legend for the Descriptive Rating (DR) 4.50-5.00 – Agree Strongly (AS), 3.50-4.49 – Agree a little (AL), 2.50-3.49 – Neither agree nor disagree (N), 1.50-2.49 – Disagree a little (DL), 1.00-1.49 – Disagree strongly (DS).

Table 2 presents the descriptive statistics of the responses on the BFI. The Extraversion responses revealed that the respondents agree a little with item no.16 (M = 4.0; SD = 0.776) “Generates a lot of enthusiasm,” the highest mean rating and disagree a little with item no. 6 (M = 3.39; SD = 0.929) “Is reserved (Reverse-scored),” the lowest mean rating. The descriptive rating for the grand mean (M = 3.15) of the responses indicate that the respondents neither agree nor disagree with the statements on extraversion items.

The Agreeableness responses revealed that the respondents agree a little with item no. 12 (M = 4.33; SD = 1.202) “Starts quarrels with others (Reverse-scored),” the highest mean rating and neither agree or disagree with item no. 27 (M = 3.23; SD = 1.081) “Can be cold and aloof (Reverse-scored),” the lowest mean rating. The descriptive ratings for the mean values of the responses revealed that the respondents agree a little with the statements on agreeableness items, and the grand mean value (M = 4.06) is comparatively higher than the mean values of other traits which imply that this trait appeared to be the predominant trait.

The Conscientiousness responses revealed that the respondents agree a little with item no. 33 (M = 4.05; SD = 0.702) “Does things efficiently,” the highest mean rating and neither agree nor disagree with item no. 8 (M = 3.23; SD = 1.036) “Can be somewhat careless (Reverse-scored),” the lowest mean rating. The descriptive ratings for the mean values of the responses with a grand total mean of 3.69 revealed that the respondents agree a little with the statements on conscientiousness items and this trait appeared to be slightly manifested by the teachers.

The Neuroticism responses revealed that the respondents neither agree nor disagree with item no. 14 (M = 3.19; SD = 0.986) “Can be tense,” the highest mean rating and disagree a little with item no. 34 (M = 2.12; SD = 0.780) “Remains calm in tense situation (Reverse-scored),” the lowest mean rating. The descriptive rating for the grand total mean value (M = 2.66) of the responses indicated that the respondents neither agree nor disagree with the statements on neuroticism items.

The Openness responses revealed that the respondents agree a little with item no. 10 (M = 3.92; SD = 0.772) “Is curious about many different things,” the highest mean rating and disagree a little with item no. 35 (M = 2.18; SD = 0.721). “Prefers work that is routine (Reverse-scored),” the lowest mean rating. The grand total mean of the trait (M = 3.46) rated as neither agree nor disagree, which implies that this trait appeared to be slightly manifested by the teachers.
Table 3.

**Overall Descriptive Statistics of the Categorized Responses on the Big Five Inventory (BFI) Items**

<table>
<thead>
<tr>
<th>Personality Traits</th>
<th>Total Scores</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extraversion</td>
<td></td>
<td>15</td>
<td>36</td>
<td>25.19</td>
<td>4.113</td>
</tr>
<tr>
<td>Agreeableness</td>
<td></td>
<td>22</td>
<td>45</td>
<td>36.57</td>
<td>4.786</td>
</tr>
<tr>
<td>Conscientiousness</td>
<td></td>
<td>16</td>
<td>45</td>
<td>33.17</td>
<td>5.363</td>
</tr>
<tr>
<td>Neuroticism</td>
<td></td>
<td>9</td>
<td>32</td>
<td>21.27</td>
<td>4.726</td>
</tr>
<tr>
<td>Openness</td>
<td></td>
<td>25</td>
<td>45</td>
<td>34.61</td>
<td>3.779</td>
</tr>
</tbody>
</table>

Table 3 condenses the responses as categorized in each of the personality traits. Agreeableness appeared to be the predominant personality trait of the teachers (M = 36.57; SD = 4.786), next is openness (M = 34.61; SD = 3.779), conscientiousness (M = 33.17; SD = 5.363), extraversion (M = 25.19; SD = 4.113) and the least being the neuroticism (M = 21.27; SD = 4.726).

Table 4.

**Regression Analysis between Each of the Personality Traits and the Levels of Stress of the Teacher-Respondents**

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>Sig.</th>
<th>Interpretation</th>
<th>Exp(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extraversion</td>
<td>-.145</td>
<td>.040</td>
<td>Significant</td>
<td>.865</td>
</tr>
<tr>
<td>Agreeableness</td>
<td>-.073</td>
<td>.276</td>
<td>Not significant</td>
<td>.929</td>
</tr>
<tr>
<td>Conscientiousness</td>
<td>-.029</td>
<td>.670</td>
<td>Not significant</td>
<td>.972</td>
</tr>
<tr>
<td>Neuroticism</td>
<td>.017</td>
<td>.798</td>
<td>Not significant</td>
<td>1.017</td>
</tr>
<tr>
<td>Openness</td>
<td>-.157</td>
<td>.033</td>
<td>Significant</td>
<td>.855</td>
</tr>
<tr>
<td>Constant</td>
<td>12.334</td>
<td>.002</td>
<td></td>
<td>227351.158</td>
</tr>
</tbody>
</table>

Table 4 reveals that the traits of extraversion (p-value 0.040) and openness (p-value 0.033) were found to be less than the 5% significant level, therefore, these traits would be considered statistically significant to the levels of stress. Teachers possessing the traits of extraversion and openness are likely to have greater levels well-being and lower levels of stress. The traits of agreeableness (p-value 0.276), conscientiousness (p-value 0.670), and neuroticism (p-value 0.798) were not statistically significant to the levels of stress and no predictable correlation exists between the variables.

However, considering the odds ratios, which is the Exp(B), the traits of extraversion (0.865), agreeableness (0.929), conscientiousness (0.972), and openness (0.855) were less than one(1), which implies that the lower these traits the higher the level of stress, while odds ratio of neuroticism (1.017) is greater than one, which is suggestive that the higher this trait the higher the levels of stress.

Also, it can be noticed in the coefficient (B values), that all the four traits extraversion (-0.145), agreeableness (-0.073), conscientiousness (-0.029), and openness (-0.157) were negative which implies that for every one point added to the score of these traits there is an expected decrease in the log odds of stress level (the value depends on the coefficient of
each trait), while neuroticism (B = 0.17) is positive, thus for every one point added to the score of neuroticism, it is expected that the log odds of stress level will increase by 0.17.

The findings failed to accept the null hypothesis that there is no significant correlation between each of the personality trait and the levels of stress experienced by public elementary school teachers.

**DISCUSSION AND CONCLUSION**

Results of the study revealed that the respondents had low to moderate levels of stress and low evidence of stress had the greater percentage. This implies that the respondents experience stress but they are generally able to handle the pressures brought by the nature of their work. Similarly, results from the previous studies in the Philippines revealed that the stress levels of public school teachers in Baguio City is at a normal level (Roxas, 2009, p. 92) and the perceived sources of stress by the majority of the public school teachers in Palawan was noted to be at a moderate level and the teachers have a high level of stress tolerance (Panis, 2009, p. 40). Moreover, the study of Eres and Atanasoska (2011) revealed that Turkish teachers have mild levels of stress while Macedonian teachers have moderate levels of stress (p. 61). Contradictory findings were revealed in the study of Putter (2003) who stated that teachers in the schools of industry experienced above average and high levels of stress (p. 37), Holeyannavar and Itagi (2012) reported that most of the primary school teachers have average to high levels of stress (p. 30), while Sprenger (2011) found that primary school teachers felt teaching as very stressful to extremely stressful (p. 47) and the study of Hanif, Tariq, and Nadeem (2011) reported that teachers in Pakistan showed highest levels of work-related stressors (p. 322).

The grand total means of each of the personality traits using the BFI revealed that the respondents neither agree nor disagree with the statements on extraversion items, which is suggestive that the trait of extraversion is manifested with a very minimal degree among the teachers. The respondents were found to have passion and be full energy and few were expressive of their feelings. Research by Dennis (2008) reported that the teachers identified themselves as extrovert (p. 82) and Salami (2011) mentioned that “teachers who had high scores on extraversion worked harder and put in more efforts and commitment to their jobs” (p. 115). The highest ranked mean item in agreeableness trait is suggestive that the respondents were not prone to arguments and the least is having the trait of being sociable. The descriptive ratings for the mean values of the responses revealed that the respondents agree a little with the statements on agreeableness items, and the grand total mean value (M = 4.06) is comparatively higher than the mean values of other traits which suggests that this trait appeared to be the predominant trait, which is suggestive that the teachers in Angeles City are trustful, cooperative, and considerate.

The item with the highest mean rating in conscientiousness responses is suggestive that the respondents were doing tasks in the best possible manner, and the least characteristic is indicative of the respondents being a bit lax sometimes in doing tasks. The descriptive ratings for the mean values of the responses with a grand total mean of 3.69 revealed that the respondents agree a little with the statements on conscientiousness items and this trait appeared to be slightly manifested by the teachers. Salami (2011) mentioned that “teachers who had high scores on conscientiousness worked harder and put in more efforts and commitment to their jobs” (p. 115).
The mean ratings of the neuroticism implies that there the tendency among teachers to experience tension when facing extraordinary demands and become apprehensive at times due to stressful situations. The descriptive rating for the grand total mean value (M = 2.66) of the responses indicated that the respondents neither agree nor disagree with the statements on neuroticism items, which is suggestive that teachers in Angeles City have higher levels of well-being because the neuroticism trait appeared to be least manifested trait among them. Barganier (2007) mentioned that individuals high in neuroticism were reported to have lower well-being (p. 47). Gunthert, Cohen, and Armeli (1999) also revealed that high neuroticism trait individuals reported more interpersonal stressors and reacted with more distress compared with low neuroticism trait individuals (p. 1087). The mean ratings of the openness items implies that teachers who have wide interest prefer innovative ways when working because they disagree with some points of doing routine work. The grand total mean of the trait (M = 3.46) rated as neither agree nor disagree, which implies that this trait appeared to be slightly manifested by the teachers.

Results of regression analysis suggest the utility of the BFI in predicting levels of stress among teachers. Salami (2011) studied buffering effects of personality and social support and found them to be effective in reducing adverse effects of job stress and that stressful personality and social support were correlated with burnout dimensions. It was hypothesized that personality and social support were effective in reducing adverse effects of job stress. A possible explanation mentioned in the study is that teachers who had high scores on extraversion and conscientiousness worked harder and put more effort and commitment and those who had more social support were reported to have less burnout (p. 115). Subburaj et al. (2012) revealed that occupational stress is significantly correlated with extraversion (strong effect), Openness (strong effect), Agreeableness (strong effect), conscientiousness (medium effect), and Neuroticism (medium effect). It was also hypothesized that personality traits would predict occupational stress (p. 4).

In contrast, Popoola and Ilugbo (2010) reported that none of the personality variables investigated in their study is a significant predictor of stress, and concluded that personality traits were not substantial predictors of level of stress (p. 185). Similarly, Dennis (2008) aimed to determine whether teacher burnout and individual personality were related in a selected population of teachers and found that no significant correlation existed between teacher burnout as determined by the Maslach Educator’s Survey and teacher personality as determined by the Myers-Briggs Type Indicator, Form M (p. 98).
RECOMMENDATIONS

Educational leaders have an obligation to the students and teachers whom they serve. In order to be the most effective, they must strive to meet the individual needs of those within their schools. Identifying teachers’ individual stress levels, personality traits, and well-being may help school heads better assist and support the teachers to improve their competencies and performance level so that teachers, in return, may better serve the ultimate beneficiaries, the pupils.

Findings of the study suggest that there is a need to conduct regular assessment of each of the personality trait and stress levels of teachers in the public schools to provide them with self-understanding of their conditions so that they can positively respond to stress in the workplace and prioritize their personal well-being to remain effective and competent in their chosen career. Personality development seminars must be conducted to boost the morale and self-esteem of teachers. It is further suggested that the current study be replicated to determine whether similar findings can be obtained using different setting or/and with a larger sample, from a wider variety of population or may add other variables that will possibly predict the levels of stress experienced by public elementary school teachers.
REFERENCES


EXPLORING THE RELATIONSHIP OF DEMOGRAPHIC PROFILES AS DETERMINANTS OF TEACHERS’ LEVEL OF WORK-RELATED STRESS

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ABSTRACT

The purpose of the researchers in this study is to determine how demographic profiles of public elementary school teachers were related to their level of stress. A descriptive-correlational research design was used and a total of 104 respondents who participated voluntarily out of 420 teachers currently teaching in the East District, Division of Angeles City, Philippines were included in the study. Results revealed that teachers with lower ages, novice in the service, had larger class size, were females, had lower educational attainment, and teaching in lower grade levels had higher levels of stress. The correlation of demographic variables with levels of stress indicated that only class size revealed a significant negative negligible correlation. Though the correlation was small, the result suggested that the larger the class size the lower the well-being of teachers. It is therefore proposed that proper teacher-pupil ratio in the classroom and stress reduction programs to reduce the stress faced by the teachers must be implemented.

KEY WORDS: Demographic profiles, stress level, well-being, work-related stress

INTRODUCTION

The profession of teaching has a prestigious place in Philippine society. According to Gumangan (2006), “No matter what day and age, teaching will always be the most important profession in the world” (p. 34). However, teaching can also be a challenging job with many frustrations, because the roles and responsibilities of a teacher are multitasked in the present day school system. As the leaders in the system of education, teachers are among the professionals reporting the highest level of stress as surveyed by European Trade Union Committee for Education (Billehoj, 2007); Health and Safety Executive (2000); and National Union of Teachers (2012).

Siddiqui (2013) mentioned that “teaching in the past was considered comparatively a relax profession, but in the last few decades it was converted to a more complex and demanding profession” (p. 63). Teachers enter the profession with high expectations, a vision for the future and a mission to educate children. At the present time, however, teachers are
overworked and find little time for personal and family life causing them a great deal of stress and frustration. According to Naidoo, Botha, and Bisschoff (2013) the demands, pressures and conditions in schools can stifle the zeal of present educators (p. 177).

Öztürk (2011) stated that some of the experienced stress in the public schools is related to educational policies, inspections, students, work overload, poor relations with colleagues, low salary, poor career opportunities, noise, time pressure, paperwork, overcrowded classrooms, frequent changes in educational policies, no spare time, role complexity, low status, instructional problems, no opportunities for involvement in educational decisions, bureaucracy, lack of administration-teacher-student-parent cooperation, low administrative and parental support and poor appreciation of teaching profession (p. 33). Similarly, research by Hanif, Tariq, and Nadeem (2011) found that the four most significant predictors of stress were school system, job experience, number of family members, and number of students (p. 323).

It was recognized that high stress conditions faced by teachers compromise their well-being and the quality of their interactions with students. In terms of the results from previous studies, there were various factors such as demographic profiles that can influence levels of stress among teachers and their abilities in coping effectively with negative and stressful events at the workplace. Demographic profiles are personal information concerning the respondents such as age, sex, civil status, number of years in teaching, educational attainment, grade level taught, and class size.

The current study was conceptualized to investigate the relationship of demographic profiles and the levels of stress of elementary teachers in public schools.

Statement of the Problem

1. What is the demographic profile of the teacher-respondents in terms of age; years of teaching experience; class size; sex; civil status; educational attainment; and grade level taught?
2. What is the level of stress traits of public elementary school teachers?
3. Do demographic profiles have a significant correlation as determinants of the levels of stress experienced by public elementary school teachers?

Hypothesis

1. The demographic profiles do not have significant correlation as determinants of the levels of stress experienced by public elementary school teachers.
METHOD

Participants

The respondents of the study were 140 public elementary school teachers from the East District, DepEd Division of Angeles City, Philippines. The study was conducted during the second quarter of the Academic Year 2014-2015.

Instruments

The Teacher Stress Survey National Union of Teachers (NUT) Teacher Well-Being “Ready Reckoner” (2012) was used to ascertain the extent of workplace stress being suffered by public elementary teachers. It was used to gather relevant information on levels of stress of teachers within the context of the school and work situation. It is a 26-item survey and uses 5-point Likert scale ranging from not at all (1) to very much so (5). High scores are suggestive of lower levels of stress while lower totals tend to indicate elevated degrees of stress and the descriptive profiles were gathered using a descriptive questionnaire developed by the researchers.

Data Analysis

The Statistical Package for Social Sciences (SPSS 17.0) software was used to identify significant relationships of demographic profiles and levels of stress. This software was utilized to efficiently and accurately analyze the gathered data. Likert scales, frequencies, percentages, means, standard deviation, minimum and maximum values for all the measures utilized in the study were used to describe demographic and descriptive variables.

The significant differences and correlations between demographic profiles and levels of stress were measured using the Pearson Product-Moment Correlation Coefficient (PMCC) and Chi-Square. The strengths of relationships between variables were interpreted using the range of values of Pearson’s r given by Mercado-del Rosario (2003): 1.00 (perfect positive/negative correlation); 0.91 to 0.99 (very high positive/negative correlation); 0.71 to 0.90 (high positive/negative correlation); 0.51 to 0.70 (moderately positive/negative correlation); 0.31 to 0.50 (low positive/negative correlation); 0.01 to 0.30 (negligible positive/negative correlation); 0.00 (no correlation) (p. 216). A significant level of 5% was used throughout the analysis of output in finding the correlations between variables.

RESULTS

This section presents the results of the statistical analyses and interpretation of findings to address the research questions and hypotheses.
Table 1 reveals that the youngest among the respondents was 21 years old and the oldest was 62 years old. Twenty-nine (27.88%) belong to the bracket of 26-30 years old. On average, the respondents were 33.58 years old. The years of teaching experience of the respondents ranged from 1 to 27 years. On average the teachers were new in the teaching profession ($M = 7.47$) and 51 (49.04%) have 1-5 years of teaching experience. The class size of the respondents shows that 58 (55.77%) of the teachers handled 31-45 pupils per
class, the least number of pupils handled by the teachers is 25 pupils per class and the maximum number of pupils is 68 per class. The class size mean is 43.96. However, due to the influx of pupils in some schools in Angeles City, other classes exceeded the maximum of 60 pupils per class.

Table 2.

Descriptive Statistics for Demographic Profiles’ Categorical Variables: Sex, Civil Status, Educational Attainment and Grade Level Taught

<table>
<thead>
<tr>
<th>Demographic Profiles</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>11</td>
<td>10.6</td>
</tr>
<tr>
<td>Female</td>
<td>93</td>
<td>89.4</td>
</tr>
<tr>
<td>Total</td>
<td>104</td>
<td>100.0</td>
</tr>
<tr>
<td>Civil Status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>47</td>
<td>45.2</td>
</tr>
<tr>
<td>Married</td>
<td>52</td>
<td>50.0</td>
</tr>
<tr>
<td>Separated</td>
<td>2</td>
<td>1.9</td>
</tr>
<tr>
<td>Single Parent</td>
<td>3</td>
<td>2.9</td>
</tr>
<tr>
<td>Total</td>
<td>104</td>
<td>100.0</td>
</tr>
<tr>
<td>Educational Attainment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BS Degree</td>
<td>48</td>
<td>46.2</td>
</tr>
<tr>
<td>BS with MA units</td>
<td>54</td>
<td>51.9</td>
</tr>
<tr>
<td>MPS/MA/MAED Degree</td>
<td>2</td>
<td>1.9</td>
</tr>
<tr>
<td>Total</td>
<td>104</td>
<td>100.0</td>
</tr>
<tr>
<td>Grand Total Level Taught</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kinder 2</td>
<td>9</td>
<td>8.7</td>
</tr>
<tr>
<td>Grade 1</td>
<td>14</td>
<td>13.5</td>
</tr>
<tr>
<td>Grade 2</td>
<td>18</td>
<td>17.3</td>
</tr>
<tr>
<td>Grade 3</td>
<td>17</td>
<td>16.3</td>
</tr>
<tr>
<td>Grade 4</td>
<td>17</td>
<td>16.3</td>
</tr>
<tr>
<td>Grade 5</td>
<td>14</td>
<td>13.5</td>
</tr>
<tr>
<td>Grade 6</td>
<td>15</td>
<td>14.4</td>
</tr>
<tr>
<td>Total</td>
<td>104</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 2 reveals that there is no equal distribution of respondents by sex. Males were underrepresented in the study. Of the total 104 teachers participated in the research, 11 (10.6%) were males and 93 (89.4%) were females. This implies that some of the public elementary schools of Angeles City are dominated by female teachers. The civil status of the respondents shows that 52 (50%) of the respondents were married, 47 (45.2%) were single, only two of them were separated (1.9%) and three were single parents (2.9%). The degree levels of the respondents reveals that 54 (51.9%), of the respondents were BS graduates with MA units, 48(46.2%) hold bachelor’s degree and only two (1.9%) had master’s degree. The grade level taught by the teachers reveals that 18 (17.3 %) were teaching in grade 2, 17 (6.3%) were teachers in grades 3 and 4, 15 (14.4%) were grade 6 teachers, 14 (13.5%) were handling grade 1 and grade 5 pupils, and only nine (8.7%) were teachers in kinder 2. The grade levels handled by the respondents were well-represented.
Table 3.

Distribution of the Levels of Stress and Overall Descriptive Statistics of the Responses on Nut Teacher Well-Being “Ready Reckoner” Stress Items

<table>
<thead>
<tr>
<th>Levels of Stress</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>53</td>
<td>50.96</td>
</tr>
<tr>
<td>Moderate</td>
<td>51</td>
<td>49.04</td>
</tr>
<tr>
<td>Total</td>
<td>104</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Overall descriptive statistics of the responses on NUT Teacher Well-Being “Ready Reckoner” stress items

<table>
<thead>
<tr>
<th>Total Score</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stress questions 1-26</td>
<td>67</td>
<td>129</td>
<td>100.08</td>
<td>12.16</td>
</tr>
<tr>
<td>Descriptive Rating</td>
<td>moderate evidence of stress</td>
<td>low evidence of stress</td>
<td>low evidence of stress</td>
<td></td>
</tr>
</tbody>
</table>

Notes. Stress Level/Well-being benchmark: up to 50 - high evidence of stress/poor mental health, 51-100 - moderate evidence of stress/moderate level of well-being, more than 100 - low evidence of stress/greater level of well-being.

Table 3 shows that among the 104 teachers who voluntarily participated in the study, 53 (50.96%) were experiencing a low level of stress and 51 (49.04%) had a moderate level of stress.

The calculated total scores of the responses using the scoring of the NUT stress/well-being instrument revealed that the minimum mean rating of 67 is suggestive of the moderate evidence of stress and the maximum mean rating of 129 indicates low evidence of stress, the average mean score of 100.08 exceeds the moderate level bracket. Thus, this indicates that the teachers in some public elementary schools of Angeles City had a low evidence of stress and greater level of well-being.
Table 4.

*Correlation Between Age, Years of Teaching Experience and Class Size and the Level of Stress of the Teacher-Respondents*

<table>
<thead>
<tr>
<th>Variables</th>
<th>r-value</th>
<th>p-value</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stress vs Age</td>
<td>0.077</td>
<td>0.439</td>
<td>Not significant; negligible positive correlation</td>
</tr>
<tr>
<td>Stress vs Years of teaching experience</td>
<td>0.122</td>
<td>0.216</td>
<td>Not significant; negligible positive correlation</td>
</tr>
<tr>
<td>Stress vs Class size</td>
<td>-0.236</td>
<td>0.016</td>
<td>Significant; negligible negative correlation</td>
</tr>
</tbody>
</table>

Table 4 summarizes the correlation of age, years of teaching experience and class size on the level of stress experienced by the public school teachers using Pearson’s Product Moment Correlation (Pearson’s r). The strengths of relationships between variables were interpreted using the range of values of Pearson’s r given by Mercado-del Rosario (2003).

It was found out that age (p-value 0.439; r-value 0.077) and years of teaching experience (p-value 0.216; r-value 0.122) shows insignificant negligible positive correlation with the level of stress of the respondents. Only class size was found to have significant negative negligible correlation on the stress level of teachers with (p-value = 0.016; r-value = -0.236). Though the correlation is small, the result suggests that the larger the class size the lower the well-being of teachers, which is an indication of having manifested certain degree of stress.

Table 5.

*Correlation Between Sex, Civil Status, Educational Attainment, and Grade Level Taught and the Level of Stress of the Teacher-Respondents*

<table>
<thead>
<tr>
<th>Variables</th>
<th>p-value</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stress vs Sex</td>
<td>0.374</td>
<td>Not significant</td>
</tr>
<tr>
<td>Stress vs Civil Status</td>
<td>0.167</td>
<td>Not significant</td>
</tr>
<tr>
<td>Stress vs Educational Attainment</td>
<td>0.106</td>
<td>Not significant</td>
</tr>
<tr>
<td>Stress vs Grade level taught</td>
<td>0.475</td>
<td>Not significant</td>
</tr>
</tbody>
</table>

Table 5 presents the correlation of sex, civil status, educational attainment and grade level taught on the level of stress experienced by the public school teachers.

Using the Chi-Square Test, it was found that there is no significant correlation between the sex (p-value 0.374), civil status (p-value 0.167), educational attainment (p-value 0.106) and grade level taught (p-value=0.475) with the level of stress of the teachers. The result revealed that there was no significant correlation between the demographic profiles’ categorical variables and the levels of stress experienced by the public elementary school teachers.
DISCUSSION AND CONCLUSION

The respondents had a low to moderate level of stress. The findings were supported by Roxas (2009) who revealed that the stress experienced by the public elementary school teachers in Baguio City, Philippines is at a normal level and the teachers seem to have a high level of stress tolerance. Contradicting results were revealed in the previous studies of Holeyannavar and Itagi (2012) who stated that most of the primary school teachers have average to high levels of stress (p. 30). Sprenger (2011) found that primary school teachers felt teaching as very stressful to extremely stressful because they were often asked to perform multiple tasks, being a teacher and a caregiver as well (p. 45). Hanif, Tariq, and Nadeem (2011) reported that teachers in Pakistan showed highest level of work-related stressors (p. 322). Likewise, a medium and high degree of burnout was reflected in high scores on emotional exhaustion and depersonalization of the majority of the respondents in research conducted by Dennis (2008, p. 91).

On the other hand, the results also revealed that there were no significant correlation between the demographic profiles and the levels of stress of the teachers except for class size which has a significant negative negligible correlation. This result was supported by the study of Roxas (2009) who revealed that gender, age, number of years in teaching, and civil status of public elementary school teachers do not significantly affect the level of teachers’ occupational stress (p. 920). Salami (2011) also revealed that none of the demographic characteristics of age, gender, teaching experience, rank and marital status had significant correlations with any of the dimensions of burnout (p. 114). Research by Hanif, Tariq, and Nadeem (2011) found the four most significant predictors of stress were school system, job experience, number of family members, and number of students (p. 323).

Although significant correlations did not exist in the age, years of teaching experience, sex, civil status, educational attainment, and grade level taught on the levels of stress of teachers, it is worth noting that interesting patterns were revealed in the current study. Based on the frequencies the lower the age, the newer the teacher in the service, the larger the class size, females, separated teachers, the lower the educational attainment, and the lower the grade level taught by the teachers the higher the levels of stress. The studies of Dennis (2008, p. 93), Klassen (2010, p. 349), and Ravichandran and Rajendran (2007, p. 134) revealed that female teachers have significantly higher levels of stress than male teachers because of inequalities in total work load (school plus home) and a higher role in the conflict between school work and family roles.

One major findings of Popoola and Ilugbo (2010) is that majority of female teachers had a low level of stress. This suggested a departure from the results of various studies. Though a surprising result, the previous study argued that the low level of stress reported by female teachers in the study pointed to the fact that the teaching profession in recent times has not been as stressful for female teachers as it had been in the past (p. 179). It was also indicated in this study that female teachers’ marital status had a significant effect on reported levels of stress. It is noteworthy that married female teachers had the least stress rating compared to singles and divorced female teachers. A plausible explanation for this could be the importance attached to married life among people. It is more likely that married female teachers experienced less stress because they received some psychological support from their spouses, which enable them to cope with their jobs. Marital adjustment
skills and shared responsibility at home might be other reasons why married female teachers had the least stress rating (p. 183).

Similarly, the study of Eres and Atanasoska (2011) revealed that the stress level of males is higher in Turkey compared to female teachers and there is no meaningful difference between educational background and marital status with the levels of stress. Age was found to be statistically significant, it was reported that teachers with teaching experience of 21 years or over had lower levels of stress. Macedonian teachers revealed no significant difference existed between sex, educational background and age with the levels of stress and marital status was found to be significant reporting that married teachers have higher levels of stress than single teachers (p. 62). The study of Graham (2012) revealed that the happiest and most engaged educators are older, teacher/administrators with a master’s degree, having more than 21 years of experience and part of their portfolio includes religion classes (p. 11). Contrary to this Dennis (2008) mentioned that the levels of burnout increased as years and degrees of education increased (p. 99). Holeyannavar and Itagi (2012) stated that teachers less than 35 years old showed high occupational stressors than older teachers because of their familial responsibility of having young children and the older teachers were already adapted and adjusted to the occupation (p. 35).

**RECOMMENDATIONS**

Based on the major results and conclusions, it would be useful to conduct further research to see whether a parallel outcome can be obtained using a well-represented number of respondents by age, years of teaching experience, class size, sex, civil status, educational attainment, and grade level taught. Teachers must grow professionally by pursuing graduate studies which will greatly contribute to teachers’ job satisfaction and well-being. A need to maintain proper teacher-pupil ratio in the classroom to reduce the stress faced by the teachers must be taken into consideration. Research on the contribution of class size to the stress manifestations of teachers is proposed to further verify the association between the variables. It is likewise recommended that the current study be replicated to see whether similar findings can be obtained using different setting or/and with larger sample, from a wider variety of population.
REFERENCES


SERVANT LEADERSHIP AND ITS IMPACT ON EMPLOYEES’ JOB PERFORMANCE: A MEDIATED ROLE OF KNOWLEDGE SHARING

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ABSTRACT

This study aimed to examine the impact of servant leadership on employees’ job performance. Further, it examined if servant leaders were able to build up a knowledge sharing culture so as to foster the employees’ job performance. Respondents of this study were the employees working in small and medium sized hotels operating in Uttarakhand, India (n=228) (Tabachnick, & Fidell, 2007). Data were analysed by confirmatory factor analysis and hierarchical regression analysis (HRA) methods. Results of the study revealed that servant leadership positively influenced employees’ job performance. Further, the results demonstrated that knowledge sharing behavior mediated the relationship between servant leadership and employees’ job performance. The present study contributes to the existing literature by explaining the intervening process between the relationship of servant leadership and employees’ job performance.

KEY WORDS: Servant leadership, knowledge sharing, job performance, hotel industry

INTRODUCTION

Growth of the hotel industry across the globe has brought new opportunities and challenges for service industry, which is very sensitive to customer service needs and employees’ job performance. Employees’ job performance, job satisfaction, creative ideas, products and services have become a source of sustainable competitive advantage and business opportunities. Over the last two decades, developing countries like India have considered the hotel industry has emerged as a key industry for the flourishing Indian service sector and has attained significant growth (Chand & Katou, 2007; Hoque, K., 1999).

Studies have shown that the service sector contributes to more than 70% of the world's developed economies' gross domestic product (GDP), and hence, plays a key position in the dissemination and consumption of creativity and employee job satisfaction (Ostrom et al., 2010). This study is not different from the perspective of developing economies like India, which largely depends on service sector (Thakur & Hale, 2013). The success of the
service industry predominantly relies on employee performance and job satisfaction (Pan, 2015) in its services. Thus, employee job performance plays important role in determining value creation (Chiang & Hsieh, 2012) and is a means to gain larger market share and customer value (Dhar, 2015). Particularly, the hotel industry which has emerged as one of the major service segments (Narayan et al., 2009) need to be fostered to be more creatively service oriented and job satisfaction is the antecedent of organizational outcome such as, employee performance, commitment, innovation and creativity (Pan, 2015).

World Tourism Organization (UNWTO) has reported that the hotel industry is seeing a continuous expansion and hence, becoming the fastest rising economic sector globally (2013). According to the Indian Brand Equity Foundation (IBEF), the Indian tourism and hospitality industry has become the motivating force for the service sector in the country and has achieved the 12th rank among 184 countries in terms of total contributions made to GDP in the year 2012. This sector has contributed US$ 34.7 billion to GDP in 2012 (IBEF, 2013). Emerging economies like India are expected to increase at the same at double pace.

The growth scenario of the hotel industry projection has reflected that the Indian hotel industry has enough potential to become a global leader in this sector. Tourist hotels, which are an important component of the hotel industry, can act as a catalyst in this growth through providing novel tourism experiences (IBEF, 2013), enhancing customer value by offering standard facilities and creative services. Thus the role of leadership style and employee job performance becomes more crucial in a highly interactive business environment like hotels where customer spend their leisure time (Lee et al., 2013; Walumbwa et al., 2008).

Nourishing job satisfaction and performance among employees to produce innovative end results is the primary concern of managers. Braun and his colleagues (2013) have argued that the job performance among the employees is attributed to the personal characteristics and the context in which they work. Similar to this, some basic approaches have been adopted by the past, researchers to study the employees’ job performance. For example, Chiang and Hsieh, (2012) reported that the leader’s behavior is a key factor of the work environment which determines job performance of the individuals. Second, knowledge sharing among employees was found to be playing significant role in nourishing employees’ job performance (Srivastava, Bartol & Locke, 2006). The present study utilizes both the approaches to introduce a comprehensive model to calculate employee job performance. In the recent studies, leadership has emerged as a powerful interpreter of employees’ job performance (Walumbwa et al., 2008). For example, servant leadership creates increased job satisfaction and improve employees’ job performance (Brewer, 2010).

Past studies have also found that employee’s knowledge sharing behaviour has a significant effect on employee’s job performance (De Vries et al., 2006). Further, there is hardly any study which has been done so far to investigate the mediating effect of knowledge sharing between servant leadership and employee’s job performance in the Indian context. The present study is an effort to address this gap by examining the mediating effect of knowledge sharing in relation between servant leadership and employees’ job performance in the context of Indian hotel industry.
THEORETICAL FOUNDATION AND HYPOTHESES FORMULATION

Servant Leadership and Employees’ Job performance

The concept of “Servant Leadership” was first introduced by Greenleaf in a title as, “The servant as leader”. Servant leadership was defined as, “It begins with the natural feeling that one wants to serve, to serve first. Then conscious choice brings one to aspire to lead. The difference manifests itself in the care taken by the servant – first to make sure that other people’s highest priority needs are being served. The best test is: Do those served grow as persons; do they, while being served, become healthier, wiser, freer, more autonomous, more likely themselves to become servants?” (Greenleaf, 1970).

The servant leader is regulated by developing inside the group opportunities to facilitate their subordinates grow (Greenleaf & Spears, 2002). In comparison to the other leadership style, where the eventual aim is the welfare of the association, a servant leader is actually worried with serving employees (Greenleaf, 1977). Their motivation in achieving organizational activities is not self-centredness; relatively servant leaders, “want their subordinates to improve for their own good, and view the development of followers as an end, in and of itself, not merely a means to reach the leader's or organization's goals” (Ehrhart, 2004, p.68).

Servant leadership has been conceptualized as a multi-dimensional concept (Spears & Lawrence, 2002), for example; “1. Emotional healing – servant leader be familiar with that they have a chance to help others for employee effectiveness. 2. Creating value for the community - an actual concern for serving the society. 3. Conceptual skills – The ability to see a dilemma or an organization from a conceptualizing side means that one can think beyond day-to-day activities. 4. Empowering - cheering and helping their immediate followers for solving the problem. 5. Helping subordinates grow and succeed - indicating real concern for the individuals' success and career growth by giving moral support. 6. Putting subordinates first – By satisfying the work needs of their followers. 7. Behaving ethically – treating fairly and transparently with others. 8. Relationships – do something genuine effort to be familiar with their organization and followers. 9. Servant hood nature – a person who sacrifices their requirement for helping others”.

Whereas job performance refers to the “category of behaviors necessary to complete duties and job/task that contribute to the (a) core products or services produced by the organization (line functions), or (b) servicing and maintenance of the technical core of the organization” (Motowidlo et al., 1997, p. 75). Job performance is a result of prospect and work experience from, an employment and highly depends upon person-specific. The construct job performance has gained a great amount of attention by behavioural researchers (Chiniara & Bentein, 2016). As it plays a key role in completing organizational objectives. Employee job performance itself has been influenced by the leadership and there is enough empirical support for close relations between leadership and employee’s job performance (Chiniara & Bentein, 2016; Piccolo & Colquitt, 2006). For example, Brewer (2010) believed that servant leadership creates increased job satisfaction and enhance employees’ job performance with the help of their servant hood nature. Further, a research conducted by Chiniara and Bentein, (2016) result indicated an effective correlation among servant leadership and employees’ job performance. This conceptually a close relationship can be occurred linking servant leadership and employees’ job performance in the context of hotel industry, India.
Hypothesis 1: Servant leadership relates to the employees’ job performance.

**Knowledge Sharing as a Mediator**

Knowledge sharing defined as “a social interaction culture, involving the exchange of employee knowledge, experiences, and skills through the whole department or organisation” (Lin, 2007, p. 315). Knowledge sharing is therefore “the process where individuals mutually exchange their knowledge and jointly create new knowledge” (Van den Hooff & De Ridder, 2004, p. 118). Beckman (1999) suggested that knowledge sharing is a part of exchanging data and information, which can enhance develop employee performance level in the presence of excessive ideas.

Many research studies found that knowledge sharing mediate the relation between leadership and their employees’ attitude such as commitment and job performance. It has been believed that leadership style will predominantly promote employees' knowledge sharing behaviour during perceptions of their kindness and ability (Mittal & Dhar, 2015). And, servant leaders are those who take into account their followers' consideration and develop employee job performance (Piccolo & Colquitt, 2006). There is hardly any study which has explored the mediating role of knowledge sharing linking servant leadership and employees’ job performance, specifically in the hotel industry. To fill this literature gap, we proposed the next hypothesis.

Hypothesis 2: Knowledge sharing mediates the relation between servant leadership and employees’ job performance.
RESEARCH METHOD

Sample Selection and Data Collection

The data were taken from the employees of small and medium sized hotels of Uttarakhand, India. The transition of the questionnaire’s language (i.e., English to Hindi and then again back to English) was executed by two different bilingual experts in ensuring the conversion quality (Brislin, 1970). We approached 45 hotels out of which 36 allowed to collect the data. And the questionnaires were distributed in those 36 hotels where each employee report to their hotel manager, distribution of 360 employees’ questionnaires was done. Each employee was asked to rate his or her perception of servant leadership with his or her manager, knowledge sharing behaviour and job performance. Then, employees returned the filled questionnaires in the coded sealed envelopes to protect the confidentiality of the responses. Each hotel representative informed the researcher about the completion of the survey process and then the researcher, received the data. Out of the 360 employees’ questionnaires that we distributed, 228 (63.33% response rate) were returned. The respondents’ profile is indicated in Table 1.
Table 1.

**Demographics**

<table>
<thead>
<tr>
<th>Employees’ Detail (N=228)</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>194</td>
<td>85.08</td>
</tr>
<tr>
<td>Female</td>
<td>34</td>
<td>14.91</td>
</tr>
<tr>
<td>Age (in yrs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 20</td>
<td>41</td>
<td>17.98</td>
</tr>
<tr>
<td>20-29</td>
<td>111</td>
<td>48.68</td>
</tr>
<tr>
<td>30-39</td>
<td>65</td>
<td>28.50</td>
</tr>
<tr>
<td>40 and above</td>
<td>11</td>
<td>04.82</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below Higher Secondary School</td>
<td>39</td>
<td>17.10</td>
</tr>
<tr>
<td>Higher Secondary School</td>
<td>115</td>
<td>50.43</td>
</tr>
<tr>
<td>Senior Secondary School</td>
<td>64</td>
<td>28.07</td>
</tr>
<tr>
<td>Under Graduate</td>
<td>10</td>
<td>04.38</td>
</tr>
<tr>
<td>Experience (in yrs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 1</td>
<td>46</td>
<td>20.17</td>
</tr>
<tr>
<td>1-5</td>
<td>102</td>
<td>44.73</td>
</tr>
<tr>
<td>5-10</td>
<td>72</td>
<td>31.57</td>
</tr>
<tr>
<td>10 and above</td>
<td>8</td>
<td>03.50</td>
</tr>
</tbody>
</table>

**Measures**

The study variables were analysed on a seven point Liker-type scale from 1 representing strongly disagree to 7 representing strongly agree.

**Servant leadership**

To measure the servant leadership (SL), we adopted Ehrhart's (Ehrhart, 2004) 14-item scale. Scale items are “Your supervisor makes the personal development of employees a priority”, “Your supervisor makes you feel that you work with him/her instead of for him/her”, and “Your supervisor works hard to find new ways to help others be the best they can be”. Cronbach’s alpha value was 0.938.

**Knowledge Sharing**

To assess knowledge sharing (KS) we adopted Lu et al (2006)’s eight items scale. Sample item is “In daily work, I take the initiative to share my work-related knowledge to my colleagues”. (α = 0.89).

**Employees’ Job Performance**

Employees’ job performance (JP) was measured six item scale developed by Williams and Anderson, (1991). A sample item is “I think that my ability to perform my job duties has improved as a result of knowledge-sharing activities.” (α = 0.93).

**Control Variables**
In this study, we controlled for age, gender, education and experience as these variables have been found to relate to employees’ job performance (Mittal & Dhar, 2015).

RESULTS

Convergent and Discriminant Validity

The proposed model demonstrated acceptable fit ($\chi^2 = 394.1$, df = 272, p = .000, GFI = .905, CFI = .974, NFI = .922, RMSEA = .039). All the factor loadings were found to be significant at .001 significant levels as shown in Table 3, demonstrating convergent validity. Further, in examining the discriminant validity, the study used Fornell and Larcker’s (1981) approach, which stated that square root AVEs of all the constructs, should exceed the correlation of the respective construct with any other construct. Table 2 shows that square root AVE values of all the variables were greater than the correlation of corresponding variables, thus the model has discriminant validity. Additionally, Harman’s one factor test (Podsakoff & Organ, 1986) was performed to check the common method bias. The 14 items of servant leadership, 8 items of knowledge sharing and 6 items measuring employee job performance were entered in a principal component factor analysis. The results yielded that first factor in the model explained 45.51% of the variance. Thus, common method bias is not an issue.

Table 2.

Descriptive Analysis

<table>
<thead>
<tr>
<th>N =228</th>
<th>Mean(SD)</th>
<th>Correlation</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>1.Age</td>
<td>2.18(.712)</td>
<td></td>
</tr>
<tr>
<td>2.Gender</td>
<td>1.16(.374)</td>
<td>.653**</td>
</tr>
<tr>
<td>3.Education</td>
<td>2.55(.980)</td>
<td>.837**</td>
</tr>
<tr>
<td>4.Experience</td>
<td>2.07(.785)</td>
<td>.907**</td>
</tr>
<tr>
<td>5.Servant Leadership</td>
<td>3.27(.830)</td>
<td>.046</td>
</tr>
<tr>
<td>6.Knowledge sharing</td>
<td>3.15(.898)</td>
<td>.064</td>
</tr>
<tr>
<td>7.Job performance</td>
<td>2.95 (.989)</td>
<td>-.012</td>
</tr>
</tbody>
</table>

Notes. 1. *p < .05; **p < .01.
2. For discriminant validity, the bold numbers in the cells of diagonal line are the square root of AVE.
Table 3.

Coefficients for the Measurement Model

<table>
<thead>
<tr>
<th>Construct</th>
<th>Indicators</th>
<th>AVE</th>
<th>α /CR</th>
<th>MSV</th>
<th>ASV</th>
<th>Factor Loading</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Servant Leadership</td>
<td>SL1</td>
<td>0.526</td>
<td>0.938/0.939</td>
<td>0.434</td>
<td>0.367</td>
<td>0.785</td>
<td>12.530***</td>
</tr>
<tr>
<td></td>
<td>SL2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.755</td>
<td>11.450***</td>
</tr>
<tr>
<td></td>
<td>SL3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.741</td>
<td>11.295***</td>
</tr>
<tr>
<td></td>
<td>SL4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.690</td>
<td>10.659***</td>
</tr>
<tr>
<td></td>
<td>SL5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.779</td>
<td>11.749***</td>
</tr>
<tr>
<td></td>
<td>SL6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.686</td>
<td>10.604***</td>
</tr>
<tr>
<td></td>
<td>SL7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.734</td>
<td>11.204***</td>
</tr>
<tr>
<td></td>
<td>SL8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.684</td>
<td>10.597***</td>
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<td></td>
<td>SL9</td>
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<td>0.694</td>
<td>10.693***</td>
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<td></td>
<td>SL10</td>
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<td></td>
<td></td>
<td>0.703</td>
<td>10.815***</td>
</tr>
<tr>
<td></td>
<td>SL11</td>
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<td></td>
<td></td>
<td>0.743</td>
<td>11.310***</td>
</tr>
<tr>
<td></td>
<td>SL12</td>
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<td>0.714</td>
<td>10.960***</td>
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<tr>
<td></td>
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<td></td>
<td>SL14</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Knowledge sharing</td>
<td>KS1</td>
<td>0.597</td>
<td>0.896/0.899</td>
<td>0.299</td>
<td>0.283</td>
<td>0.842</td>
<td>12.557***</td>
</tr>
<tr>
<td></td>
<td>KS2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.783</td>
<td>11.735***</td>
</tr>
<tr>
<td></td>
<td>KS3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.798</td>
<td>11.903***</td>
</tr>
<tr>
<td></td>
<td>KS4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.757</td>
<td>11.412***</td>
</tr>
<tr>
<td></td>
<td>KS5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.770</td>
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</tr>
<tr>
<td></td>
<td>KS6</td>
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</tr>
<tr>
<td></td>
<td>KS8</td>
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<td></td>
<td></td>
<td></td>
<td>0.762</td>
<td>10.567***</td>
</tr>
<tr>
<td>Employees’ Job Performance</td>
<td>JP1</td>
<td>0.570</td>
<td>0.933/0.933</td>
<td>0.434</td>
<td>0.351</td>
<td>0.856</td>
<td>12.541***</td>
</tr>
<tr>
<td></td>
<td>JP2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.851</td>
<td>12.398***</td>
</tr>
<tr>
<td></td>
<td>JP3</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>JP4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.875</td>
<td>12.672***</td>
</tr>
<tr>
<td></td>
<td>JP5</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td>0.791</td>
<td>11.681***</td>
</tr>
</tbody>
</table>

Note: (1) ***p < .001; N=228.

Test of Hypothesis

Table 2 presents the mean, standard deviation and correlation among all study variable. Table 4 contains the results of hierarchical regression analysis, performed to test the proposed Hypothesis 1 and 2. Hypothesis 1 proposed that servant leadership positively correlated with employees’ job performance. As revealed in Table 4, servant leadership is positively associated with employees’ job performance (β = 0.266, p < .001, Model 2), supporting Hypothesis 1.
Table 4.

Results of Hierarchical Regression Analysis

<table>
<thead>
<tr>
<th>Control Variables</th>
<th>Employees’ job performance</th>
<th>Knowledge Sharing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1</td>
<td>Model 2</td>
</tr>
<tr>
<td>Age</td>
<td>1.035</td>
<td>-.223</td>
</tr>
<tr>
<td>Gender</td>
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<td>-.570</td>
</tr>
<tr>
<td>Education</td>
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</tr>
<tr>
<td>Work Experience</td>
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<td>.272</td>
</tr>
<tr>
<td></td>
<td>Model 3</td>
<td>Model 4</td>
</tr>
<tr>
<td>Servant Leadership</td>
<td></td>
<td>.266***</td>
</tr>
<tr>
<td>Knowledge sharing</td>
<td></td>
<td>.217***</td>
</tr>
<tr>
<td>F-value</td>
<td>.559</td>
<td>36.205***</td>
</tr>
<tr>
<td>R²</td>
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<td>.383</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>.006</td>
<td>.372</td>
</tr>
<tr>
<td>Change R²</td>
<td>.008</td>
<td>.375</td>
</tr>
</tbody>
</table>

Notes: *p-value < 0.05; **p-value < 0.01; ***p-value < 0.001.

Hypothesis 2 anticipated that knowledge sharing mediates the relation of servant leadership and employees’ job performance. For this purpose, Baron and Kenny’s (1986) method of mediation analysis is used. As shown in Table 4, servant leadership showed a significant positive association with employee’s job performance (β=0.266, P=0.001, Model 2). Thus, Baron and Kenny’s Condition 1 was supported. The results of Model 2 and Model 4 provide support for Condition 2 since servant leadership showed a significant positive relation with knowledge sharing (β=0.52, p=0.001) and knowledge sharing is related to the employees’ job performance (β=0.21, p=0.001). Thus, H2 was supported.

DISCUSSION AND PRACTICAL IMPLICATIONS

This study is examining the role of servant leadership and knowledge sharing on employee job performance of Indian tourist hotels. The study gives practical support for the fact that servant leadership is highly correlated to the employee job performance and this relation is mediated by the knowledge sharing behaviour in the context of hotel industry, India.

Additionally, this study has tried to add to the existing literature through integrating the servant leadership and employee job performance. Specially, the present study pointed that servant leaders, on the foundation of empowering, helping employees grow and success and make themselves readily available to support their followers and encourage them to work differently through organization’s rewards and recognition system and assure stability in the organization in case of any failure while working differently. The finding of the study also reveals that servant leaders can develop employee job performance if their employees promote knowledge sharing behaviour. And finding also suggests that organizations should lead up training programs that deal with leaders and followers together, so as to provide necessary knowledge and accomplishment and develop trust between leader and their immediate followers. Our results also underline the impact of
knowledge sharing behaviour on job performance. Originally, leaders need to concentrate on exchanging knowledge and ideas with their immediate followers. In addition, it is essential to note that servant leadership completely influences the trust of their employees. Therefore, it would be important for hotels’ managers that they create knowledge sharing culture in their employees regarding their work and organization. Especially, they are liable for nurturing an open discussion with their followers for effective performance.

The quality of service delivered by hotels is totally dependent on their customer-contact employees and the findings of the study bring forward significant suggestions to imbibe effective leadership style and development of knowledge sharing behaviour. It is remarkable that employees of the hotels have been ranked relatively low in job satisfaction and job performance. Thus, the hotels must provide a trustworthy and supportive environment to encourage their employee’s to act in non conventional ways to gain customer value.

LIMITATIONS AND FUTURE RESEARCH SCOPE

The present study has some limitations which must be worked up. First, the study was conducted in the hotel industry. Hence, to verify the findings of the present study, it demands to be repeated in other services industries like the banking industry, airlines, and IT industry. Additionally, the findings of the study lacked an in the detail qualitative understanding of the different elements that influence employees’ attitude to get indulged in job satisfaction in the Indian hotel settings.

CONCLUSION

In conclusion, the present study tried to scrutinize the role of servant leadership in predicting job performance among the employee of Indian hotels. Additionally, the study also highlighted the mediating role of knowledge sharing linking servant leadership and employees’ job performance in the framework of hotel industry, Uttarakhand, India. In this perspective, hotel managers need to plan the training programs for employees to build up mutual trust between them. Summary of the result shows that servant leadership is an attractive area of research for management researchers.
REFERENCES


LEGAL MEASURES TO PREVENT AND COMBAT CORRUPTION OF PUBLIC CONTRACTS IN THE ASEAN COMMUNITY

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ABSTRACT
In this study the researcher examines the ASEAN anti-corruption legislation framework of public contracts under the United Nations Convention against Corruption. Accordingly, this research focused on public procurement where corruption generated an economic loss for the public interest and the ASEAN framework on anti-corruption. In addition, this research highlights a special case study in Singapore, a country that has been recognized as a best practice for curbing corruption in Asia. The research employed the qualitative approaches based on the primary sources including laws, regulations, national policies and court decisions. It was found that ASEAN Community has inefficiently developed a mechanism for anti-corruption missions, namely, abuses of authority in public contracts, non-transparency, and conflict of interests remain a serious problem. Therefore, concrete standards for public contracts should be developed to establish mechanisms to prevent and combat corruption and enhance transparency in administrative agencies conforming to good governance. Furthermore, ASEAN countries should reform the public procurement system, the administrative supervision, and the sanction of corruption in public procurement.

KEY WORDS: ASEAN Community, anti-corruption, public contracts, transparency, conflict of interests, public procurement, good governance

INTRODUCTION
At present, corruption in ASEAN countries has tended to create severe and complex problems, as evidenced by the report of the Corruption Perceptions Index (CPI). The results of a sample of 168 countries shows that six out of ten countries in ASEAN have severe corruption problems, especially Thailand, which was ranked in 76th place. For other ASEAN countries, Cambodia was ranked 150th place, followed by Myanmar, Lao PDR, Viet Nam, and Indonesia, which were ranked in 147th, 139th, 112th, and 88th, respectively (Transparency International, 2016). This result reflects the fact that problems regarding corruption should be widely publicized and that Member Countries should mutually resolve these problems to ensure that development in ASEAN Economic Community (AEC) Member States is be sustainable and to return confidence of investors from other countries.

The aforementioned CPI does not only underscore problems in corruption in each Member Country; it also significantly reflects the fact that corruption is an issue of transnational organized crime that many countries are at risk of facing. Accordingly, all Anti-Corruption Offices of Member Countries have created an annual meeting for preventing and combating corruption. The meeting focuses on knowledge sharing and
strengthening collaborative efforts among Member States. The highest goal of this arrangement is to build a corruption-free culture in ASEAN, which will help to promote investment, trade, and economic development within the community.

This research paper focuses on effective measures currently in use that have been created for preventing and combating corruption. Public contract and procurement processes can leave open opportunities for corruption; if they do, this becomes a major cause of government budget losses, and damages the nation’s economic development. In this research paper, problems regarding corruption, legal restrictions, and obstacles were analyzed. Also analyzed were the processes of observing and monitoring the regimes and procedures of the organizations in charge of government budget controls and the measures for preventing and combating corruption in public offices.

To this purpose, effective measures for preventing and combating corruption in conducting administrative contracts used in the Singapore model will be scrutinized and compared with measures to prevent and combat corruption in Thailand and other ASEAN Member States.

ANALYSIS AND FINDINGS

Characteristics of the Problem of Corruption in Conducting Public Contracts

There are three significant factors that cause corruption. The first factor is “Dishonesty.” This study found that officials tend to make a choice to conduct themselves corruptly based on a high return, even though he/she has foreseen risks (Gong, Ma, & Marks, 2010). Therefore, corruption in higher positions has more of an effect than corruption conducted at lower levels. Next, organizational structure and management provide “Opportunities” for officials to engage in corruption, and such opportunities are considered the second factor (Kidd & Richter, 2003). Therefore, good management policies and effective internal monitoring procedures significantly reduce one’s opportunity to engage in corruption activities. The last factor that enables occurrences of corruption is “Incentive.” In this regard, incentive means individual incentives based on the backgrounds and needs of each official. However, an effective and clear policy, along with good management, can block such incentives.

Corruption in public contracts results in tremendous losses to government budgets. Derived from the research studies, there are five corruption issues related to conducting public contracts. “Conflict of interest between public sectors and private contractors” is the first issue (Auby, Breen, & Perroud, 2014). With discretion exercised from within their positions, public officials can offer special privileges to specific persons or companies, both directly and indirectly. This can be seen, for example, in cases of public auctions where a bidding company has a politician or politically exposed person as a shareholder or hidden beneficiary/owner.

The second factor is non-transparent budgets controlling policy and imprecise procedures in the budget approval process (Pavletic, 2010). According to this factor, there are various forms of corruption, such as faulty evidence, failure to comply with budget approval processes, off-market price contracts, intentionally avoiding a complete final inspection, forgery, proposing unfair bidding conditions to other bidders, collusion in auctions, or providing special favorable conditions to a specific bidder. Moreover, wrongdoings may extend to the early stages of public auctions by covering facts regarding auctions that
should be made public, forcing other bidders to not engage in an auction, or promoting unnecessary projects when planning an annual budget. These wrongdoings arise from gaps in the procurement process, imprecise legal procedures, and political influence.

The third factor behind corruption in public contracts is a lack of effective checking and monitoring systems throughout the processes, from budget planning to budget allocation (Berman, 2010). It is suggested that checking and monitoring, therefore, should be conducted by independent monitoring entities, such as the office of the ombudsman and an anti-corruption commission or panel. However, there is no coordination between monitoring entities’ aggregate functions of checking and investigating, which results in delays in the process and ineffective, unpractical procedures.

Enforcement of the law relating to corruption, at present, focuses on state officials rather than private sector entities that offer benefits to officials. In most cases, corruption in public contracts also involved the government’s counterparties. Additionally, the research found that enforcement and penalties are not sufficient. Officials engaging in corruption, for example, are still in positions to become involved in new corruption cases, and companies found guilty have still been able to attend public auctions or enter into other public agreements. This shows that legal enforcement and sanctions to combat corruption cannot prevent it. Therefore, it is undeniable that ineffective law enforcement and sanctions are the fourth factor that enables corruption in public contracts (Quah, 2011).

The last factor to be discussed is the ineffective measures for preventing and combating corruption (Tan, 2013). In this regard, there are no codes of conduct for state officials, and most of the public sector focuses more on combating corruption than establishing preventive measures. Therefore, without practical preventive measures, corruption is always discovered after the damage has occurred.

Legal Measures in Preventing and Combating Corruption in ASEAN Community

As mentioned above, corruption is a significant problem that should be resolved immediately. Further, ASEAN Member States have acknowledged the importance of measures for preventing and combating corruption. Establishing actions to prevent and combat corruption, eight Member States: Brunei, Indonesia, Malaysia, Singapore, Cambodia, the Philippines, Viet Nam, and Thailand all agreed to enter into the Memorandum of Understanding on Cooperation for Preventing and Combating Corruption dated 15 December 2004. Myanmar and Lao PDR, as observers, formed South East Asia Parties Against Corruption (SEA-PAC) the same year (SEA-PAC, 2014).

SEA-PAC is a collaboration of anti-corruption offices of Southeast Asian nations. Although SEA-PAC is not an organization formed within the ASEAN Framework, it has a similar strategic plans and objectives. The objectives of the SEA-PAC association are to establish and enhance mutual efforts against corruption among Member States and to increase the ability of anti-corruption offices in each country, as well as encourage a working system that offers knowledge and information sharing between members.

Referring to the 10th meeting in Malaysia in 2014, there was mutual agreement to resolve problems regarding corruption. This agreement was created to align with the provisions prescribed in the United Nations Convention Against Corruption (UNCAC), especially Article 48 and Article 49, which focuses on institutional development and the
collaboration of Member States in monitoring, preventing, and combating corruption. Moreover, it also strengthens collaboration among public and private sectors for conducting actions that prevent corruption and promote law enforcement cooperation (SEA-PAC, 2015). The agreement, however, holds no legal enforcement power among Member States, nor does it have extraterritorial application. Accordingly, cooperation within the region and Member States is significant. This agreement requires a Member State to consider establishing internal legal policies and internal law enforcement body/bodies. The Member States shall further ensure that such legal policies for preventing and combating corruption are effective and enforceable, especially those establishing a standard measure for enforcing anti-corruption in public contracts.

Measures in Preventing and Combating Corruption in Singapore

After gaining independence from the United Kingdom in 1959, Singapore suffered from corruption problems, with corruption infiltrating across society, from individuals to the private and public sectors. Legislative measures for preventing and combatting corruption, at that time, were vague and ineffective. There was also no clear power over the anti-corruption agency, and enforcement power was not allocated to anyone in particular. Moreover, the incomes of public officials were considered low compared to those of individuals working in the private sector. Further compounding the problem, officials were not highly educated and many were facing significant debt. They also failed to manage money and had no savings. Besides public officials, people in the country encountered similar problems of limited educational background and low incomes. In addition, people did not know how to exercise their rights, but they understood that public officials had the discretion to provide good services, which resulted in bribes to public officials in exchange for better services (Stapenhurst, Johnston, & Pelizzo, 2006).

Singapore was severely damaged by corruption, and the government was aware of the urgency of demolishing corruption trees and attempting to return creditability that had been lost due to ineffective legislative and a broken justice system. Political leaders began reforming this culture in 1965. Presenting themselves as role models for public officials, leaders must divest themselves of shares and other benefits from companies before being assigned to a political position. At the same time, the government has reformed laws and regulations to prevent and combat corruption by increasing the power of anti-corruption agencies, increasing punishment, and raising the incomes of public officials. Reform measures for preventing and combating corruption have had various effects. For example, precise and strict legislative structures have enhanced legal enforcement and empowered organizations to prevent and combat corruption. In the view of these public officials, increasing incomes to officials has reduced the incentives for them to engage in corruption. For years, the government had been reviewing and amending laws and regulations to assign more power to anti-corruption organs and to increase the sanctions and punishments for offenders.

At present, Singapore has been internationally recognized for the effectiveness of its measures to prevent and combat corruption. This is evinced by the results of the Corruption Perception Index in 2015, in which Singapore was ranked in 3rd place overall and 1st place in ASEAN (Transparency International, 2016). The reasons for this are the size and population of the country, which is considered small. Compared with other countries in ASEAN, Singapore has high economic and social development, so Singaporean citizens and public officials are highly paid. Plus, the country’s leader has a
strong commitment to preventing and combating corruption, which is reflected in strict legislative measures (Bowornwathana & Wescott, 2008).

In Singapore, the Corrupt Practices Investigation Bureau (CPIB) is the agency under the office of Prime Minister empowered to prevent corruption, investigate corruption offences, and outline measures for preventing corruption in the public and private sectors. To achieve its assigned duties, CPIB works with the Attorney General’s Chamber when proceedings of legal complaints are brought to court. The Prevention of Corruption Act empowers CPIB to exercise its power over the following issues:

(a) CPIB is empowered to arrest a suspect, in cases where evidence shows that such persons engaged in corruption, without requesting a warrant from the court. Moreover, the punishment for corruption is a fine in an amount not exceeding SGD 100,000 and not exceeding 5-7 years’ imprisonment. The court can also order bribe receivers to pay a penalty equal to the amount of the bribe. This punishment scheme has a similar effect on the bribe receiver and the person offering the bribe. The Act empowers CPIB to investigate the bank statements of public officials, including related persons, such as a spouse, children, and a proxies. In addition, the punishments in terms of asset freeze processes are harsher and more intensive. Most importantly, this Act has extraterritorial applications, meaning that it can enforce a bribery case related to Singaporean citizens in other countries (OECD, 2013).

The government has discovered that harsh and strong enforcement decreases the incentives for committing acts of corruption. With the function of investigating significant cases, CPIB focuses primarily on those cases in which the defendant has a high probability of guilt. Beside duties in “Action,” CPIB has also planned strategies to prevent corruption in both the public and private sectors by seeing corruption as a multi-dimensional problem. Moreover, an offender is assumed to be guilty if he or she fails to explain, to the satisfaction of the court, why he/she is presumed to have received money corruptly.

Additionally, Singapore has procedures in place to protect whistleblowers. As prescribed in Article 36 of the Prevention of Corruption Act, any civil or criminal proceedings shall not disclose the names or personal information of the informants (Tan, 2007). Article 26 also provides for witness protection programs for whistleblowers and establishes a complaint ID system to ensure that informants are not disclosed and, therefore, may feel comfortable and safe when reporting useful information to CPIB (Rose-Ackerman, 1999).

(b) Apart from these measures, CPIB has also developed preventive measures to prevent corruption. Using an instrument derived from the Public Perception Survey, CPIB directly surveys related parties, such as prosecutors, witnesses, and public sectors, and applies the results from observations and suggestions to improvement plans so that the agency can ensure that people fully understand corruption issues (Zhang & Lavena, 2015).

Another key duty of CPIB is to enhance the capability of the government’s task management by providing a system that can check and review work processes. CPIB also makes suggestions related to anti-corruption agencies and ensures that those agencies have followed their suggestions. Some examples of CPIB’s suggestions include the improvement of the procurement processes and adopting an online bidding system that might deter corruption and create more transparent processes for making public agreements.

Under Singapore’s measures, every public official must comply with Codes of Conduct, which are called the Government Instructional Manual (IM) (Stapenhurst & Kpundeh,
1999). This manual mainly refers to anti-corruption laws and requirements for receiving gifts, entertainment, or any other benefit. It further specifies that if a public official cannot avoid receiving such a gift or benefit, he/she will hand it over to his/her supervisor so that it can be returned to his/her office. However, if he/she wishes to keep such a gift as his/her own property, he/she shall pay money equal to actual price of the received gift, with its price assessed by the Ministry of Finance.

In addition, to maximize transparency, every public official must annually disclose a list of personal assets and investments, including assets held by a spouse and children. In addition, there are specific procedures for controlling public officials. For example, they are not allowed to borrow money from a person doing business with the public sector. Additionally, the procedure sets a loan limit not to exceed three times an official’s income and requires officials to disclose their lists of assets to the government. All of these requirements were established to close opportunities for corruption and prevent conflicts of interest.

Moving on to measures related to public procurement, Singapore has a solid and precise procurement system free from corruption because of two significant factors: law that are enforceable and solid and regulations regarding procurement in Singapore are precise and practical. All of these factors lead to Singapore’s effective procurement processes.

Regulations related to procurement processes are prescribed in Government Procurement Act 1997, which rectified and followed the Government Procurement Agreement issued by World Trade Organization (OECD, 2010). This Act is enforceable not only because of standards and processes taken from international agreements, but also due to the strict application of regulations performed by the Auditor-General, who is responsible for monitoring all processes when parties enter a procurement contract. Furthermore, the Auditor-General sets three major principles when conducting public contracts. In the first principle, all processes must be treated with fairness and provide equal and transparent competition between bidders. Second, government budget spending must be reasonable and for the sake of country. The last principle is the preservation of the highest level of ethics in the procurement process. This principle has become significant to the nation’s principle of standardizing procurement processes in public sectors. Every public sector, when entering a public agreement, shall strictly comply with these principles and apply all three procedures to its internal processes. Finally, strict compliance with principles regarding procurement processes help the government to control budgets so that people can be ensured that budget spending by the government is made wisely and thoughtfully (Tan, 2003).

Further, in Singapore, all public sectors such as the ministry, public bodies, and panels shall be under the same minimum standards of procurement. Each public body shall set its internal policies since some public sectors have specific business processes that require more intensive and solid procurement processes. For agreements with large contract values, the Economy of Scale principle must be applied to consider whether or not such agreement will bring true income to the government. Moreover, the procurement of large value agreements must be processed via an Online Procurement Platform called GeBiz (The Singapore Electronic Business Partner). This system collects information and publishes it to the public (Jones, 2007).
To control public agreements in Singapore, the key responsible institution is the Ministry of Finance, which has statutory boards comprising 40 panels positioned in 15 ministries. The Ministry of Finance combines the responsibilities of all ministries for managing procurement processes, and it calls such working groups Government Procurement Entities (GPEs). These entities control procurement processes by exercising their power through the Expenditure and Procurement Policies Unit (EPPU). EPPU is the agency under the Budget Division of the Ministry of Commerce.

Together with the Ministry of Finance, EPPU is responsible for assessing the qualifications of counterparties, while the Ministry of Finance is responsible for registering the government’s counterparties. In doing so, EPPU will categorize prospective bidders into nine categories, using the bidding’s value as an indicator. EPPU is empowered in debarment with problematic companies, such as those that fail to submit complete work within the deadline or abandon a project, when products and services are considered lower than specifications in a contract, and when they produce a shortfall. EPPU is comprised of a representative from the Ministry of Finance, a representative from the ministry applying for the procurement budget, and the Vice-President of General-Attorney and President’s Office of the National Anti-Corruption Commission of Singapore. These representatives are officially called the Standing Committee on Debarment (SCOD) (Jones, 2007).

In the first period of preventing and combating corruption, Singapore focused on rooting out the corruption networks of public officials. In 1991-2015, there were various cases regarding corruption in public contracts conducted by politicians, ministers, and high-level public officials. The investigations revealed channels of corruption through the private sector in the form of benefits and privileges as conditions proposed to prospective bidders. After the passage of amendment legislative measures to prevent corruption in public agreements, the number of corruption cases decreased significantly. However, corruption in the private sector tended to increase. The most effective solution to tackle this problem is to impose harsher punishments on the private sector, at least equal to the punishment of public sectors. Accordingly, the Prevention of Corruption Act has set a penalty fine in an amount not exceeding SGD 100,000 and not exceeding 5-7 years’ imprisonment. The court has also ordered bribe receivers to pay a penalty equal to the amount of the bribe (Tan, 2003).

Moreover, a public official that the court finds guilty can be removed from his/her position with no pension or other benefit, as happened in the case of the Public Utilities Board (PUB), Singapore’s national water agency, in which the head engineer of the company received bribes from a contractor in the amount of 13.85 Million SGD. In consequence, the court ordered 40 years’ imprisonment and the payment of fines in the amount g 13.85 million SGD. Moreover, the Prevention of Corruption Act has covered a case in which a public official agreed to receive bribes but failed to reciprocate (Tan, 2007).

CONCLUSION AND RECOMMENDATIONS

This study shows clearly how and why Singapore’s measures for preventing and combating corruption are effective and enforceable and that the ethical standards of Singaporean citizens have been raised, resulting in a lower level of corruption since the system itself can control the government, parliament, public officials, and private
employees. Undeniably, awareness among the people of higher ethical standards has also played an important role in preventing corruption.

Furthermore, the strong intention to resolve problems of corruption in the government is one key to success. With effective policies, regulations, and enforcement Singapore has successfully reduced its number of corruption cases, especially those related to public contracts, which damage the country by retarding its economic development and bringing losses to the government’s budget. In addition, it affects the image of the country and lowers the confidence of both local and foreign investors.

To resolve problems of corruption in the public contracts of ASEAN countries, Member States should consider establishing effective legal measures and functions by taking into consideration recent levels of damage to the society. Additionally, it is necessary to intensively increase legal enforcement and establish an independent organization that is empowered to enforce corruption laws, from primary processes of investigation to the last stage of punishment.

The researcher, therefore, makes the following recommendations for resolving problems of corruption in the public contracts of ASEAN countries:

**Recommendations to ASEAN Community**

(a) The ASEAN Community shall collaborate to prevent and combat corruption in public contracts by establishing a standard guideline or minimum requirements for conducting public contracts that each Member State can refer to as a model, adopting internal regulations in light of guidelines or minimum standards.

(b) ASEAN should consider using its internal policies to provide special privileges to Member States that have effective preventive measures and internal procedures in place to prevent corruption in public contracts. Such privileges can come in the form of financial support from the Asian Development Bank or a special lending offer.

(c) ASEAN should continue developing SEA-PAC and enhance cooperation among Member States to ensure that measures for preventing and combating corruption in each country are effective and enforceable. Each Member State shall establish a body or bodies to undertake the functions of monitoring and investigating corruption. In addition, such body or bodies should be free from undue influence.

(d) ASEAN shall also develop effective investigation systems within the region that can prevent the offender’s attempt to escape from prosecution or block assets that offenders have prepared to avoid inspection of their corrupt actions.

(e) ASEAN shall maintain a list of trustworthy private sector entities investing in Member States as well as a list of corrupt companies. This list of companies should be collected in a shared database that states may filter to search for the profiles of prospective counterparties before entering into public agreement.

**Recommendations to Member States**

(a) Member States should continually develop measures to prevent and combat corruption. This is because the problems of corruption have been changing due to social changes. Most importantly, reforms of the corruption laws should include granting
authority to anti-corruption bodies, investigation processes, judicial systems, and law enforcement.
(b) Member States should strengthen their regulations related to public contracts so that they are more precise, and they must not leave any room for corruption. The following topics require strict regulations, procurement processes, bidding cartels, government budget planning, the allocation and standard prices, and qualifications for products and services. Moreover, standards for conducting public contracts should be based upon the type of project, its size, and its processes. For instance, a high value project, a turnkey project, or a joint-investment project should be assigned a level of corruption indifferently.
(c) Member States should adopt an electronic platform for managing procurement and public contract processes. Such a platform can prevent corruption in processes that help to develop a national database that functions to profile, filter, and monitor each process of a project.
(d) Member States should establish independent bodies to carry out their specific functions, such as establishing anti-corruption organizations to tackle corruption problems or public bodies empowered to control the government’s budget, i.e., the Ministry of Finance or the Office of the Auditor-General. Moreover, Member States should promote corroboration between specific professions, such as accounting, engineering, and policing, so that knowledge is shared among these professions.
(e) Member States should also raise awareness among people in their countries about preventing and combating corruption. In fact, people do tend to help the government prevent corruption, either as informants or simply by avoiding engaging in corruption. However, Member States should ensure that informants and witnesses are protected and safe.
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AN ANALYSIS OF CUSTOMER LOYALTY IN THAI MOBILE MARKET

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ABSTRACT

A mature growth of mobile subscription in the Thai mobile market recently affects the competition among mobile phone service providers significantly. Mobile service providers have offered numerous price plans and bundle services to attract new subscribers and retain current subscribers. This phenomenon affects the customer loyalty. Hence, in this study the researchers aim to examine the effect of the demographic characteristics, perceived service quality, perceived value, corporate image, and customer satisfaction on customer loyalty. Questionnaires were used for data collection across Thailand during January-March 2016 with 460 mobile subscribers as samples. Descriptive statistic and regression analysis were employed as analysis tools. Findings from this study will benefit for mobile service providers to determine marketing strategies and improve service quality to increase customer satisfaction and retain the customer base.

KEY WORDS: Customer loyalty, customer satisfaction, perceived service quality, perceived value, corporate image, Thai mobile market, regression analysis

INTRODUCTION

The growth of telecommunication services adds value to the industrial sector, both directly and indirectly. Communication processes have developed rapidly, and mobile service providers must adapt to keep pace through investment strategies, marketing plans, and sound operating principles. During 2014 and 2015 the Thai National Broadcasting and Telecommunications Commission (NBTC) held 3G and 4G auctions. This provided an
impetus to develop programs and services through the Internet, and service users increased from 44.6 million people in 2014 to 56.1 million in 2015 (Digital Advertising Association in Thailand, 2015). Mobile service providers constantly offer new marketing strategies to attract new customers and retain existing users to maintain or increase their market share.

In 2015, there was a total of 88.99 million mobile phone subscribers, a decrease of 6.02% due to an increase in inactive mobile numbers, effectives of the mobile number portability (MNP) policy, and registration of subscriber identity module (SIM) cards by mobile service providers (NBTC, 2015). In Thailand there are more mobile phone numbers than the registered population. Almost everyone has a mobile, and some users have two or more units. Therefore, mobile service providers compete to attract customers to use their networks via the marketing strategies. It is interesting, therefore, to study the relationships between demographic characteristics and customer satisfaction, perceived service quality, perceived value, and corporate image and how they affect customer loyalty in the Thai mobile market. The results of the study may be useful for mobile service providers as well as policymakers working to improve the effectiveness of mobile phone services.

**RESEARCH AIMS**

1. To compare the demographic characteristics that affect customer loyalty in the Thai mobile market.
2. To analyze the effects of customer satisfaction, perceived service quality, perceived value, and corporate image on customer loyalty in the Thai mobile market.

**RESEARCH CONCEPT FRAMEWORK**

The research framework for this study is proposed in Figure 1. The independent variables consisted of demographic characteristics, customer satisfaction, perceived service quality, perceived value, and corporate image, while the dependent variable was customer loyalty.

**Figure 1.** Concept of the Research

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Dependent variable</th>
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<tr>
<td>Demographic Characteristics</td>
<td>Customer Loyalty</td>
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<td>Customer Satisfaction</td>
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<td>Corporate Image</td>
<td></td>
</tr>
</tbody>
</table>
HYPOTHESES

1. Differences in gender, age, education level, occupation, average monthly income, and domicile affect customer loyalty in the Thai mobile market.
2. Customer satisfaction, perceived service quality, perceived value, and corporate image affect customer loyalty in the Thai mobile market.

LITERATURE REVIEW

The literature review is divided into five parts: customer loyalty, customer satisfaction, perceived service quality, perceived value, and corporate image. Details of each concept are presented as follows:

Customer Loyalty

Customer loyalty can be defined as the mindset of a customer who holds a favorable attitude toward a company, commits to repurchase the company’s product or services, and recommends the product or services to others (Cronin & Taylor, 1992; Kotler & Singh, 1981; Lee et al., 2001; Pearson, 1996; Prus & Brandt, 1995; Narayandas, 1996; Zeithaml, Berry & Parasuraman, 1996). The key elements of customer loyalty has three components: (a) repurchase intention, (b) resistance to switching to a competitor’s product that was superior to the preferred vendor's product, and (c) willingness to recommend the preferred vendor’s product to friends and associates (Aydin & Özer, 2005; Aydin, Özer, & Arasil, 2005; Aydin & Özer, 2006; Chadha & Kapoor, 2009; Gerpott, Rams, & Schindler, 2001; Junaid-ul-haq & Nasir, 2013; Lai, Griffin, & Babin, 2009; Qayyum, Ba Khang, & Krairit, 2013; Santouridis & Trivellas, 2010).

Customer Satisfaction

Customer satisfaction can be defined as an evaluation of the perceived discrepancy between prior expectations and actual performance of the product (Tse & Wilton, 1988). Consumer satisfaction is pivotal in constructing trust, which in turn leads to customer loyalty (Oliver, 1999). The key elements of customer satisfaction has four components: (a) overall satisfaction with the service, (b) overall satisfaction with the network, (c) conformity with the pre-purchase expectations of the customer, and (d) conformity with expectations (Alsajjan, 2004; Aydin et al., 2005; Aydin & Özer, 2006; Chadha & Kapoor, 2009; Gerpott et al., 2001; Kim et al., 2004; Santouridis & Trivellas, 2010; Turkyilmaz & Ozkan, 2007). Customer satisfaction was positively related to customer loyalty (Akbar, 2013; Alireza et al., 2011; Alsajjan, 2004; Aydin et al., 2005; Aydin & Ozer, 2006; Chadha & Kapoor, 2009; Gerpott et al., 2001; Joachim et al., 2012; Kim et al., 2004; Liu et al., 2011; Qayyum et al., 2013; Santouridis & Trivellas, 2010; Suleiman Awwad, 2012; Tung, 2013; Turkyilmaz & Ozkan, 2007). Customer satisfaction toward the mobile service provider occurs if pre-purchase expectations are realized, any problems are resolved quickly and easily, and the reception signal is good. The likelihood then follows that the customer will return to repurchase.

Perceived Service Quality

Perceived service quality can be defined as a customer’s judgment of the overall excellence or superiority of a certain service provider’s performance (Cronin & Taylor,
SERVPERF is a measurement of the customer’s perception of the performance of the service providers (Cronin & Taylor, 1992; Peter et al., 1993; Bebko, 2000). The key elements of perceived service quality have six components: (a) coverage of calling area, (b) value-added services, (c) quality of after sales service (customer support), (d) convenience in procedures, (e) services in campaigns, and (f) pricing structure (Akbar, 2013; Amin et al., 2012; Aydin & Özer, 2005; Chinomona & Sandada, 2013; Kim et al., 2004; Kuo et al., 2009; Liu et al., 2011; Qayyum et al., 2013; Rasheed & Abadi, 2014; Roy et al., 2014 Santouridis & Trivellas, 2010; Suleiman Awwad, 2012; Tung, 2013; Turel & Serenko, 2006; Turkyilmaz & Ozkan, 2007). Perceived service quality was positively related to customer loyalty (Akbar, 2013; Amin et al., 2012; Aydin & Özer, 2005; Chadha & Kapoor, 2009; Ishaq, 2012; Kim & Lee, 2010; Qayyum et al., 2013), and service quality was evaluated against the recognition of the results of the service providers. If the promotional advertising services delivered a clear signal, with good after-sales service at a reasonable and fair charge, then the customer was likely to repurchase.

**Perceived Value**

Perceived value can be defined as the perceived level of product quality relative to price paid, incorporating price information into the model and comparing results across firms, industries, and sectors (Fornell et al., 1996). The key elements of perceived value had five components: (a) overall service value received; (b) quality service was well worth the time, energy, and effort; (c) good service for a reasonable price; (d) high quality and low price requirements were met; and (e) price was reasonable (Alireza et al., 2011; Kuo et al., 2009; Lai et al., 2009; Qayyum et al., 2013; Suleiman Awwad, 2012; Tung, 2013; Turel & Serenko, 2006; Turkyilmaz & Ozkan, 2007). Perceived value was positively related to customer loyalty (Ishaq, 2012; Lai et al., 2009; Qayyum et al., 2013; Rasheed & Abadi, 2014), and if overall service value received was perceived as worth more that the money paid then this would likely lead to repurchase.

**Corporate Image**

Corporate image can be defined as a perception of an organization held in the consumer’s memory. This works as a filter which influenced the perception of the operation of the company (Bitner, 1991; Gronroos, 1988; Gummesson & Gronroos, 1988; Keller, 1993). The key elements of corporate image had five components: (a) the image and reputation of the service provider, (b) the security and stability of the service provider, (c) the contribution to society by the service provider, (d) the service provider was a leader or an expert in the industry, and (e) the service provider was innovative and forward looking (Akbar, 2013; Alireza et al., 2011; Aydin & Ozer, 2005; Calvo-Porrall & Lévy-Mangin, 2015; Junaid-ul-haq & Nasir, 2013; Lai et al., 2009; Turkyilmaz & Ozkan, 2007). Corporate image was positively related to customer loyalty (Akbar, 2013; Alireza et al., 2011; Amin et al., 2012; Aydin & Ozer, 2005; Kim & Lee, 2010; Qayyum et al., 2013; Turkyilmaz & Ozkan, 2007), and the image of the organization was portrayed as having stable or innovative technology, participation in social development, and leadership in the business of providing mobile services. These attributes contributed to a conviction of trust and support from the user, resulting in the possibility of repurchase.
METHODOLOGY

Population

The population in this study was 81.12 million Thai active registered mobile phone subscribers both prepaid and postpaid for the three mobile service providers: AIS (31.44 million prepaid subscribers and 6.37 million postpaid subscribers); DTAC (20.66 million prepaid subscribers and 4.19 million postpaid subscribers); and TRUE (15.35 million prepaid subscribers and 3.11 million postpaid subscribers) totaling 67.45 million prepaid subscribers and 13.67 million postpaid subscribers as detailed in Table 1.

Table 1. Prepaid and Postpaid Mobile Service Users in Thailand during Q3, 2015

<table>
<thead>
<tr>
<th>Mobile service provider</th>
<th>Prepaid (million)</th>
<th>Postpaid (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIS</td>
<td>31.44</td>
<td>6.37</td>
</tr>
<tr>
<td>DTAC</td>
<td>20.66</td>
<td>4.19</td>
</tr>
<tr>
<td>TRUE</td>
<td>15.35</td>
<td>3.11</td>
</tr>
<tr>
<td>Total</td>
<td>67.45</td>
<td>13.67</td>
</tr>
</tbody>
</table>

Source. (NBTC, 2015).

Sample Group

Following the method of Yamane (1970) an appropriate sample size was 400 to define reliability at 95% and deviation of 5%, with the reserve being roughly 15%. Therefore, the total samples required were 460. A stratified random sampling method was employed in this study. Data were collected from Bangkok and six other regions of Thailand. A representative province in each region was selected by size of the population. Quota sampling was utilized to collect the sample in line with the market share and type of subscription in each selected province. The main locations for data collection in each area were schools, government office centers, markets, mobile phone payment points, department stores/supermarkets, public transport centers, and industrial estates from January 2016 to March 2016 (Table 2).
Table 2.

<table>
<thead>
<tr>
<th>Region</th>
<th>Population</th>
<th>Sample size</th>
<th>AIS Prepaid</th>
<th>AIS Postpaid</th>
<th>DTAC Prepaid</th>
<th>DTAC Postpaid</th>
<th>TRUE Prepaid</th>
<th>TRUE Postpaid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangkok</td>
<td>5,692,284</td>
<td>174</td>
<td>67</td>
<td>14</td>
<td>42</td>
<td>9</td>
<td>36</td>
<td>7</td>
</tr>
<tr>
<td>Central-Samut Prakan</td>
<td>1,261,530</td>
<td>38</td>
<td>15</td>
<td>3</td>
<td>9</td>
<td>2</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>West-Ratchaburi</td>
<td>853,217</td>
<td>26</td>
<td>10</td>
<td>2</td>
<td>6</td>
<td>1</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>East-Chonburi</td>
<td>1,421,425</td>
<td>43</td>
<td>17</td>
<td>3</td>
<td>11</td>
<td>2</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>North-Chiang Mai</td>
<td>1,678,284</td>
<td>51</td>
<td>20</td>
<td>4</td>
<td>12</td>
<td>3</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>Northeast- Nakhon Ratchasima</td>
<td>2,620,517</td>
<td>80</td>
<td>31</td>
<td>6</td>
<td>19</td>
<td>4</td>
<td>16</td>
<td>3</td>
</tr>
<tr>
<td>South-Nakhon Si Thammarat</td>
<td>1,548,028</td>
<td>47</td>
<td>18</td>
<td>4</td>
<td>11</td>
<td>2</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15,075,285</td>
<td>459</td>
<td>178</td>
<td>36</td>
<td>110</td>
<td>23</td>
<td>94</td>
<td>19</td>
</tr>
</tbody>
</table>

*Source. (NBTC, 2015).*
TOOLS

To achieve the study objectives a questionnaire was designed and developed. The questionnaire was divided into six sections as follows:

Section 1: demographic characteristics and mobile usage behavior data including: (1) gender, (2) age, (3) education level, (4) occupation, (5) average monthly income, and (6) domicile.

Section 2: customer loyalty. Six questions were developed from the applied research of Chadha and Kapoor (2009) and Narayandas (1996).

Section 3: customer satisfaction. Four questions were developed from the applied research of Chadha and Kapoor (2009), Chinomona and Sandada (2013), and Qayyum et al., (2013).

Section 4: perceived service quality. Ten questions were developed from the applied research of Aydin and Ozer (2005), Bloemer et al., (1999), Chadha and Kapoor (2009), Junaid-ul-haq and Nasir (2013), Kim et al., (2004), and Qayyum et al., (2013).

Section 5: corporate image. Five questions were developed from the applied research of Akbar (2013), Aydin and Ozer (2005), Calvo-Porral and Lévy-Mangin (2015), and Turkyilmaz and Ozkan (2007).

Section 6: perceived value. Six questions were developed from the applied research of Lai (2004) and Qayyum et al., (2013).

The questions in sections 2, 3, 4, 5, and 6 were ranked by the respondents using a seven-point Likert rating scale (Likert, 1932). To verify the content validity of the questionnaire an analysis of index of congruence (IOC) was conducted by three experts. The IOC value was between 0.6-1.00. The questionnaire was tested on 40 people, and the results revealed reliability at a very good level, with an alpha coefficient of 0.950 (Hair et al., 2006, p. 137). Reliability for each part of the questionnaire was also at a very good level, and between 0.948-0.953. The questionnaire was therefore accepted for use in the study.

DATA ANALYSIS

Descriptive statistics were used to present the respondent’s characteristics, and inferential statistics were used for hypothesis testing. The first hypothesis was evaluated by T-test and mean differences were determined by one-way analysis of variance (ANOVA) (F-test). Multiple regression analysis (MRA) and variance inflation factor (VIF) at significance of 0.05 were used to analyze the determining factors.

Demographic Characteristics of the Respondents

Females were 60% and male 40%, with the majority between 35-44 years old (33.3%). Undergraduate degree holders were 63.3%, with most being private company employees (52.2%). Most had a monthly income over 30,000 baht (22.4%) and resided in Bangkok (38.0%) (Figures 2-7).
Figures 2-7. Participant Demographics

Figure 2. Gender
- Male: 60%
- Female: 40%

Figure 3. Age
- 15 – 24 years: 33.3%
- 25 – 34 years: 31.1%
- 35 – 44 years: 20.4%
- 45 – 54 years: 12.6%
- 55 years or above: 2.6%

Figure 4. Education level
- Below bachelor’s degree: 17.0%
- Bachelor’s degree: 19.8%
- Above Bachelor’s degree: 63.3%

Figure 5. Occupation
- Student: 52.2%
- Husband/housewife: 18.7%
- Employee: 18.7%
- Government officers/ state enterprise officials: 9.1%
- Business owner: 4.3%
Mobile Usage Behavior Data of Respondents

The majority of the respondents were AIS subscribers (46.5%) and prepaid customers (83.0%), with monthly spending at 100-600 baht per month, and 37.6% had subscribed for over seven years. Regarding advertisement media, the most influential was television (59.8%), followed by the Internet (Figures 8-12).

**Figures 8-12 Participant Data Usage**
The intention to change mobile phone network using the current number was 26.5%, mainly due to inefficient signal quality (32.7%) with TRUE subscribers at 54.1%. No intention to change the network was 73.5%, mainly due to Internet services being available (98.5%). Most used AIS (46.1%), mainly for entertainment such as watching movies, television shows, listening to the radio and playing games (27.1%) (Figures 13-19).
Figures 13-19 Customer Intention to Change Network and Internet Usage

Figure 13. Change service provider with same number

- Yes
- No

Figure 14. Total Reason to change service provider with same number

- Ineffective signal quality
- More expensive 3G and 4G service charge
- Less special promotion for users (such as exchanging old mobile with new one, discount)
- Unsatisfactory after-sale service
- Less additional services such as Mobile Content, Application
- Uncovered area for 3G, 4G, WIFI, GPRS services
- Less service centers
Figure 15. Your new service provider

- AIS
- DTAC
- TRUE

54.1%
12.3%
33.6%

Figure 16. Reason of not changing service provider

- Effective signal quality
- Cheaper service charge
- Various promotion
- Convenient and fast after-sales service
- Various additional services
- Covered area for 3G, 4G, WIFI, GPRS services
- Large number of service centers

Figure 17. Use of internet service

- Yes
- No

98.5%
1.5%

Figure 18. Current Internet service provider

- AIS
- DTAC
- TRUE

46.1%
28.9%
24.9%
HYPOTHESIS TESTING

Hypothesis 1: Differences in gender, age, education level, occupation, average monthly income, and domicile affect customer loyalty in the Thai mobile market.

Results in Table 3 show that different education levels affected customer loyalty as significant at 0.01 (F = 5.506, p-value = 0.004), and different occupational groups affected customer loyalty as significant at 0.05 (F=2.779, p-value = 0.027), while gender, age, average monthly income, and domicile were not significantly different for customer loyalty. The least significant difference (LSD) test showed that there was significant difference among the four pairs of means: “Below bachelor’s degree” and “Bachelor’s degree” (p-value = 0.020, ≤0.05), “Below bachelor’s degree” and “Above Bachelor’s degree” (p-value = 0.001, ≤0.05), “Husband/housewife” and “Government officers/state enterprise officials” (p-value = 0.011, ≤0.05), and “Employee” and “Government officers/state enterprise officials” (p-value = 0.006, ≤0.05).
Table 3.

*T-Test for Customer Gender and F-Test For Customer Age, Education Level, Occupation, average Monthly Income, and Domicile*

<table>
<thead>
<tr>
<th>Customer Loyalty</th>
<th>T-test</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>0.460</td>
<td>0.082</td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer Loyalty</th>
<th>F-test</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 – 24 years</td>
<td>0.506</td>
<td>0.731</td>
</tr>
<tr>
<td>25 – 34 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>35 – 44 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>45 – 54 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>55 years or above</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer Loyalty</th>
<th>F-test</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below bachelor’s degree</td>
<td>5.506</td>
<td>0.004**</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above bachelor’s degree</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Occupation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student</td>
<td>2.779</td>
<td>0.027*</td>
</tr>
<tr>
<td>Husband/housewife</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government officer/state enterprise officials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business owner</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Average monthly income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10,000 baht or below</td>
<td>0.632</td>
<td>0.676</td>
</tr>
<tr>
<td>10,001 – 15,000 baht</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15,001 – 20,000 baht</td>
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<td></td>
</tr>
<tr>
<td>25,001 – 30,000 baht</td>
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<td></td>
</tr>
<tr>
<td>25,001 – 30,000 baht</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 30,000 baht</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Domicile</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bangkok</td>
<td>1.116</td>
<td>0.352</td>
</tr>
<tr>
<td>East</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central and metropolitan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>West</td>
<td></td>
<td></td>
</tr>
<tr>
<td>North</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northeast</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Notes: ** and * denote statistical significance at 0.01 and 0.05, respectively.*
Hypothesis 2: Customer satisfaction, perceived service quality, perceived value, and corporate image affect customer loyalty in the Thai mobile market.

Table 4 shows no multicollinearity among the three independent variables since their VIFs ranged from 3.566 to 5.151. Estimated regression revealed that customer satisfaction \((X_1)\), perceived service quality \((X_2)\), and perceived value \((X_3)\) had a positive effect on customer loyalty \((Y)\), with statistically significant levels at 0.01 and 0.05. Moreover, the estimated model showed a good fit to the data with the coefficient of determination \(R^2 = 0.640\). Thus, the predictive standard equations can be written as follows: Unstandardized coefficients \(Y = 0.427 + 0.399(X_1) + 0.365(X_2) + 0.127(X_3)\), Standardized coefficients \(Z = 0.396(Z_1) + 0.331(Z_2) + 0.121(Z_3)\) (Table 4).

### Table 4.

<table>
<thead>
<tr>
<th>Perception and Customer Loyalty</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>VIF</td>
</tr>
<tr>
<td>Constant</td>
<td>0.427</td>
<td>0.151</td>
<td>2.834</td>
<td>0.005</td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction ((X_1))</td>
<td>0.399</td>
<td>0.053</td>
<td>0.396</td>
<td>7.487</td>
<td>0.000**</td>
</tr>
<tr>
<td>Perceived service quality ((X_2))</td>
<td>0.365</td>
<td>0.070</td>
<td>0.331</td>
<td>5.207</td>
<td>0.000**</td>
</tr>
<tr>
<td>Perceived value ((X_3))</td>
<td>0.127</td>
<td>0.056</td>
<td>0.121</td>
<td>2.284</td>
<td>0.023*</td>
</tr>
<tr>
<td>R</td>
<td>0.802(^{b})</td>
<td>0.643</td>
<td>0.640</td>
<td>0.74075</td>
<td></td>
</tr>
</tbody>
</table>

Notes. ** and * denote statistical significance at 0.01 and 0.05, respectively.

**DISCUSSION AND CONCLUSIONS**

The aim of this study was to investigate and examine the factors affecting customer loyalty in the Thai mobile market. The factors investigated included customer satisfaction, perceived service quality, and perceived value. The most popular Thai mobile network provider was AIS with a prepaid subscription. Mobile customers spent 100-600 baht per month on average. Most had used the mobile phone service for seven years, and the media that mainly affected the selection of a mobile network provider was television, followed by the Internet.

The majority did not want to change network, with the key reasons being good signal quality, coverage, and working effectiveness. Reasons for wanting to change network were poor signal quality and network performance, with TRUE as the provider that most wanted to change from while keeping their number. The network that the Internet was used on the most was AIS, with the main reason being for entertainment such as watching movies, listening to radio, television and playing games.
Hypothesis testing indicated that education levels and occupation had a significant difference in the means of customer loyalty in the Thai mobile market. Moreover, customer satisfaction, perceived service quality, and perceived value positively affected customer loyalty. This finding was consistent with previous studies (Akbar, 2013; Alireza et al., 2011; Alsajjan, 2004; Amin et al., 2012; Aydin et al., 2005; Aydin & Özer, 2006; Chadha & Kapoor, 2009; Chinomona & Sandada, 2013; Gerpott et al., 2001; Ishaq, 2012; Joachim et al., 2012; Kim & Lee, 2010; Kim et al., 2004; Kuo et al., 2009; Lai et al., 2009; Liu et al., 2011; Qayyum et al., 2013; Rasheed & Abadi, 2014; Roy et al., 2014; Santouridis & Trivellas, 2010; Suleiman Awwad, 2012; Tung, 2013; Turel & Serenko, 2006; Turkyilmaz & Ozkan, 2007). Therefore, mobile service providers must focus on responding to customer needs as much as possible for example effective signal quality, cheaper service charge, various promotions, convenient and fast after-sales service, various additional services, covered area for 3G, 4G, WIFI, and GPRS services, and a large number of service centers.

Corporate image impacted positively but not significantly with customer loyalty (Amin et al., 2012; Aydin & Ozer, 2006; Qayyum et al., 2013). Thus, mobile service providers need to develop a positive image of their organization to communicate effectively. They must engage consumers fully in all aspects of quality of service, after-sales service, customer benefits, and social assistance to build confidence and a positive attitude toward the organization.

LIMITATIONS

There were several limitations in this research project. First, some important factors were not integrated into the model. For example, possible factors which may significantly affect customer loyalty include switching barriers between various mobile phone service providers (Kim et al., 2004; Kim & Yoon, 2004), and other customer complaints (Fornell et al., 1996; Song & Yan, 2006). Second, this study was limited to three mobile service providers, consequently, further research is required to extend the database to other service providers.

SUGGESTIONS FOR FURTHER RESEARCH

The results of this study can be applied to the development of customer satisfaction, perceived service quality, and perceived value to focus on improving corporate image. Further studies should investigate other factors affecting customer loyalty in the Thai mobile market, including the cost of trust and political, cultural and economic incentives. This will provide useful information for application in high-quality product and service development to meet the needs of service users.
REFERENCES


GOVERNMENTAL AND NON-GOVERNMENTAL ORGANIZATION
COLLABORATION IN DISASTER MANAGEMENT:
COMPARISON BETWEEN INDONESIA AND TAIWAN

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ABSTRACT

The geographical location of Indonesia and Taiwan in seismically active zone on the Pacific ring of fire causes both countries prone to natural disasters. Governments in both countries have frequently been involving non-governmental organizations (NGOs) in disaster risk reduction. However, because of their differences role in disaster management, unnecessary conflicts occurred between both sides, causing post-disaster recovery to be ineffective. This paper, thus, aims to raise a question on how to create effective collaboration between government and NGOs in disaster management by comparing Indonesia’s and Taiwan's experience. Based on the conceptual frameworks of disaster risk reduction, the role of NGOs, and human security, the author argues that collaboration between government and NGOs would be effective if both parties make a deal about code of conduct on their collaboration to overcome their differences. Therefore, they must see their respective roles as mutually supplementary and not as competing alternatives. As the leader of disaster management, government needs to give basic support for the NGOs. On the other hand, NGOs need to coordinate their all activities and report them to the government.

KEY WORDS: Government, NGOs, disaster management, disaster risk reduction

INTRODUCTION

Indonesia and Taiwan are disaster prone countries located in seismically active zone on the Pacific ring of fire. The geographical location makes the two countries become subject to a high level seismic activities. Natural disasters are common events in both countries causing so many people are died, infrastructures are destroyed, and environment is damaged. Based on the 2010 Asia Pacific Disaster Report, people in the Asia Pacific are four times more likely to be affected by natural disasters than those in Africa and 25 times more likely than those in North America or Europe. As citizens of countries located in Asia Pacific, over 18 million Indonesian and more than a million Taiwanese people have been affected by natural disasters for the last three decades. The same report ranked Indonesia and Taiwan as fourth and fifth highest respectively amongst Asia Pacific countries that have frequently been hit by natural catastrophes.
In response to the disasters, both Indonesia and Taiwan have regulated some policies on disaster management. Based on Disaster Prevention and Response Act (DPRA) which has been applied since 2000, the reconstruction plan in Taiwan’s disaster management is developed for various levels of government and is implemented by the city or county’s reconstruction committee. There is always a multitude of organisations participating in disaster relief or recovery (Chen et al., 2006). Meanwhile, Indonesia regulates Disaster Management Act on the Law No. 24/2007. The act posts protection to be a part of people’s basic rights and designates the government to be the duty bearer. It provides for disaster management to be an integrated part of development and governance. Governments of Taiwan and Indonesia realize that disaster management could not be operated by themselves only. In some cases, the governments have weaknesses to take every single action of disaster risk reduction. Indeed, government needs to be helped by either national or international non-governmental organizations (NGOs). They must cooperate to prevent disaster and to minimize the disaster bad impacts (Behera, 2002).

NGOs do not only play a critical role in all aspects of humanitarian assistance work, but also play an important role in disaster response and mitigation in different regions. Using their grassroots network, they can play a significant role in disaster risk prevention and reduction. Even, NGOs have the ability to respond more quickly than government could. With local knowledge and expertise, they have the advantage in being able to carry out disaster reduction and relief projects that fit the needs of the people and often with far more reaching and sustainable impact (Chu, 2002). Therefore, to prevent more damage affected by natural disasters, disaster management should involve both government and NGOs. In interactions among them, some conflicts and different opinions might occur. Whatever the dispute, it must be noted that since disaster can’t be solved by the government itself or by the NGOs themselves, so both agencies must collaborate and coordinate each other. Disaster relief could create its own disaster if not coordinated. Based on that view, this paper compares the government-NGOs collaboration in Indonesia and Taiwan.
INDONESIA’S DISASTER MANAGEMENT

Indonesia is a disaster prone country located at the intersection of three crustal plates namely Eurasia Plate, Ancient Australia-Indian continent, and Pacific Ocean Floor in the northeast. The geographical location makes Indonesia become subject to a high level seismic activities. Natural disasters are common and frequent phenomena in this country causing so many people are died, infrastructure is destroyed, and environment is damaged.

Figure 4. Major Volcanoes of Indonesia

The types of disasters in Indonesia could be classified into earthquakes, tsunamis, volcano eruptions, floods, landslides, hurricanes, storms, and droughts. Indonesia was frequently shooked by earthquakes and tsunamis. With more than 500 volcanoes, 128 of which are active volcanoes (represents 15% all active volcanoes in the world) occupying the zones of Sunda, Banda, Halmahera and Minahasa, the country was often shaked by volcano eruptions. Figure 4 shows that the volcanoes are located almost in every province of Indonesia. No wonder the archipelago is said to be circumscribed by rings of fire (Figure 1).

The UN reported that over 18 million people were affected by natural disasters in Indonesia for the last three decades. The same report ranks Indonesia fourth highest amongst Asia Pacific countries that have been hit by natural catastrophes. The 2009 Global Assessment Report on Disaster Risk Reduction also placed Indonesia on high level of human exposure to disasters, ranking 1 out of 265 for tsunamis and 3 out of 153 for earthquakes (Kuntjoro & Jamil, 2010).

In response to this fact, Indonesia regulates a national policy in disaster management on the Act No. 24/2007. The purpose of the act is building a new disaster management
system, replacing old system regulated since 1966 when the Advisory Board of Natural Disaster Management was established. The new law provides for disaster management to be an integrated part of development and governance. This is to be accomplished through reducing risks mostly during the time when there is no disaster, managing the system to be better prepared to respond to, and recovering from the impacts of disasters.

Government of Indonesia realizes that it could not be done by itself. In some cases, the government has weaknesses to take every single action of disaster risk reduction. Government needs to be helped by non-government actors, either national or international NGOs. They must cooperate to prevent disaster and to minimize the disaster bad impacts. Successful disaster reduction strategies involve careful efforts to combine knowledge, technology, expertise, institutional capacities, management skills, and practical experience for optimum results, which would not be possible without proper collaboration between the two key players: governments and NGOs (Behera, 2002).

In Indonesia, there are more than 200 NGOs registered for operating in disaster risk reduction such as Oxfam, Helen Keller International, International Relief Development, International Federation of Red Cross and Red Crescent Society, Muslim Aid Indonesia, World Relief, red cross organizations from many countries, and so on. They all have different contribution in Indonesian disaster management. Oxfam, for example, works not only after the disasters occur (rehabilitation), but also pre-disaster (response) and during disaster (recovery). This organization has five priorities of action. First, ensure that disaster risk reduction is a national and a local priority with strong institutional basis for implementation. Second, identify, assess and monitor disaster risks and enhance early warning. Third, use knowledge, innovation and education to build a culture of safety and resilience at all levels. Fourth, reduce the underlying risk factors. Five, strengthen disaster preparedness for effective response at all levels.

Oxfam is just an example of the NGOs’ activities in Indonesia. Beside Oxfam, there are hundreds NGOs working in the post-disaster reconstruction. Since most of them have different agenda, it is inevitable that some problems involving either the NGOs or government official emerge. First, there are misperceptions between government and NGOs which can not be compromised. NGOs feel that the government wants to restrict their freedoms through exerting authoritative control, and the government views NGOs as talking rather than acting, opposed to any move to ensure transparency and accountability, donor driven, obsessed with sectoral issues and overcritical of government policies (Behera, 2002, p. 10). Second, incapability of the local governments to respond the disaster quickly. Unskilled apparatus in Indonesia’s local governments creates a gap between local and national government as well as NGOs (Kuntjoro & Jamil, 2010). Third, INGOs staffs don’t understand local knowledge of disaster area. The attendance of INGOs staffs to a disaster area is not often followed by deep knowledge about people inhabiting the area. Consequently, misunderstanding between the INGOs staffs and the affected people is likely occur so that aids can not be given effectively.

Indonesia’s government officials were shocked at the way some international agencies ignored local capacities and authority structures (Willits-King, 2009). In Aceh reconstruction after 2004 tsunami, most of NGOs that operated in this province have their own system which sometimes contradict with the others (Susilo, 2009). Government officials are not systematically invited to coordination meetings. Furthermore, all key documents are written in English which is not always understood by local government if it
is not translated into Indonesian language. As Bennett et al. (2006) found in relation to the response to the Asian tsunami “where coordination meetings are dominated by international agencies, English becomes the medium of communication at the expense of already marginalised local participants”.

**TAIWAN’S DISASTER MANAGEMENT**

Located on the East side of Asia, Taiwan is an island with significant risks for natural disasters. In 2005, the World Bank report entitled “Natural Disaster Hot spots – A Global Risk Analysis” indicated “Taiwan might be the most vulnerable [country] to natural hazards on Earth, with 73% of land and population exposed to three or more hazards. The five major natural hazards confronting Taiwan are: typhoons, earthquakes, landslides, floods, and debris flow (Lin, 2008). Typhoons are among the most serious hazards that cause significant damages and economic losses. On average, Taiwan is hit by 3.6 typhoons a year and these result in US $667 million in economic losses. Taiwan is one of the most earthquake-prone places in the world. The tectonic setting and dynamics of the Eurasian and Philippine Sea Plates are the major triggering mechanism of earthquakes in Taiwan (Chen, 2006).

For instance, the Chi-Chi earthquake was a major event that occurred on September 21, 1999. For most Taiwanese people, the event symbolizes a deep sorrow. A strong earthquake measuring 7.6 on the Richter scale awakened all the people living in Taiwan Island. At least 2,400 people were killed, 8,700 were injured, 600,000 people were left homeless, and about 82,000 housing units were damaged by the earthquake and large aftershocks. Damage was estimated at 14 billion U.S. dollars. The disaster had a profound effect on the economy of Taiwan and the consciousness of the people. Many government buildings in the disaster area collapsed and officials could not take actions immediately after the earthquake. After the shock, economic and environmental policies as well as the emergency management system were reviewed again. This earthquake contributed to the birth of the Disaster Prevention and Response Act (DPRA) (Tso & McEntire, n.d.).

After the Chi-Chi earthquake, the DPRA was passed by Legislative Yuan and the congress of Taiwan. It was promulgated in 2000. The DPRA is the first disaster management related foundational law in Taiwan, which integrates the management mechanisms for natural and technological disasters and covers all four phases of the disaster management cycle: mitigation, preparedness, response and recovery (see figure 4). Both the SPNDA (Standard Procedure for Natural Disaster Assistance, 1965) and NHMP (National Hazard Mitigation Program, formulated in August 1994) were suspended after DPRA was promulgated (Chen, 2006).
According to the DPRA, the disaster management system consists of four governmental levels: the Central, Municipality, County, and Township. Every level of government is required to establish a Disaster Prevention and Response Council (DPRC). Each DPRC is responsible for making and implementing relevant disaster management policies and plans. Since the DPRC itself is a task force style organization, it doesn’t take responsibility for policy implementation. The specific agency, Disaster Prevention and Response Communities (DPRCM) under the DPRC, takes charge of overseeing and implementing disaster related policies and plans. Under the DPRA, not only government officials but also armed forces, military corps, NGOs and community organizations are included in the comprehensive emergency management network so that their role has become more and more important (Chen et al. 2006; Tso & McEntire, n.d.).

In December 2010, the DPRA was amended by the Legislative Yuan following the big damage caused by Typhoon Morakot hit Taiwan on August 8, 2010. The amendment focused on rebuilding the organizational framework in central government level. After it had been passed by the Legislative Yuan, several changes have been made in the central level emergency management system. Firstly, the former central DPRC has been replaced by central DPRCM. Under the central DPRCM, the Office of Disaster Management (ODM) has been created in the Executive Yuan to take charge of overseeing and implementing emergency management relating policies and actions. Secondly, the National Fire Agency will be reorganized as the National Disaster Prevention and Response Agency in 2011. All levels of local government also have to set up disaster prevention and response offices for dealing with related issues. Full-time employees are hired in ODM in order to enhance the professionalization and efficiency of policy implementation (ODM, 2010). Finally, the Executive Yuan are required to make annually

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**Figure 3. Taiwan’s Emergency Management System**

National Disaster Prevention and Response White Paper which will be reviewed by the Legislative Yuan (Tso & McEntire, n.d.).

It is worth noting that non-governmental forces have also played important roles in cooperating with government officials to relieve the burden on the public sector. Many scholars describe the contemporary era of urban politics as one characterized by governmental devolution (a process in which national and regional government functions are increasingly shifted to local government oversight) (Martin 2004). Private-sector and nonprofit organizations (NPOs) can therefore be utilized to repair or replace public infrastructure and to meet other disaster-related human needs, including emergency housing, employment counseling, and short-term health and family services (Sylves, 2007 in Rubin, 2007).

In Taiwan, the role of public-private cooperation in responding disasters has become more important in the emergency management framework. Government officials rely on private or non-profit sector participation in offering goods and services that help facilitate disaster response and recovery activity. These non-governmental actors also offer their professional skills and resources that enhance disaster preparedness and mitigation efforts. For example, the International Headquarters of SAR Taiwan (founded by scholars, volunteers and veterans in 1981) serves as a NPO which cooperates with government to rescue victims of natural disasters. It offers training programs for government officials, the military, and citizens. It also serves Taiwan during joint international operations (including rescue activities after a 7.0 earthquake struck Haiti on January 12, 2010).

CONCLUSION

Having some of the highest risks for natural hazards on Earth, Taiwanese people have suffered from disasters for a long time. The bad experiences help Taiwanese people learn how to cope with such disasters and recognize the importance of having a well-designed emergency management system. The private sector and civil society have become powerful actors in the Taiwanese emergency management network nowadays. Government officials rely on private or non-profit sector participation in offering goods and services that help to facilitate disaster response and recovery works.

Taiwanese people and government officials are evidently more willing to focus more on emergency management today. Civil society may therefore act as a powerful partner as it cooperates with government officials in dealing with emergency management issues. Creating mutually beneficial networks between local governments and civil society appears to be a practical tool to lower costs and reduce the burdens that fall on government officials. Thus, the possibility of success in the Taiwanese emergency management.

Unlike Taiwan, Indonesia faces some challenges to run effective collaboration between government and NGOs for giving the best aid for the disaster affected people. In this case, Indonesia could learn from Taiwan on how to make collaboration between government and NGOs runs effectively. Therefore, a number of steps need to be taken to strengthen government-NGOs cooperation, focusing on issues such as: 1) norms for cooperation and coordination; (2) regular training of disaster risk reduction for local government officials; and (3) capacity building support needed by NGOs for disaster management.
First, government and NGOs should make a deal about code of conduct on their collaboration to overcome their differences. They must see their respective roles as mutually supplementary and not as competing alternatives. It is also urgent for both of them to make information sharing and social audit to strengthen transparency and accountability, which would raise their credibility and prepare ground for mutual respect and collaboration. As the leader of disaster management, government needs to give basic support for the NGOs. On the other hand, NGOs need to coordinate their all activities and report them to the government.

Second, local government officials need to be trained regularly in order not to highly depend on national government. The main purpose of the training is building local capacity to ensure more effective responses to disasters. Since Indonesia’s risk to multi-hazard disasters is increasing, the country must improve its capacity for recovery, rehabilitation and reconstruction from current disasters in order to mitigate future risks. More importantly, before building local capacity, disaster management agencies in local administrations have to be set up in all 34 provinces.

Third, beside the local government officials, NGOs staffs also need to build their capacity to increase their skills based on the local knowledge of disaster area. This is mainly for INGOs staffs who have never lived with Indonesian people. Before coming to Indonesia, they should prepare adequate data base on the basic profile of the disaster affected people. It would be better if INGOs staffs sent to Indonesia are those who could speak Indonesian language and understand traditions and cultures practiced by people in the disaster area.
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PROMOTING WOMEN EXECUTIVES IN CORPORATE BOARDS IN ASEAN

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ABSTRACT

Gender disparity has become a strategic issue in corporate boards across the globe. The glass ceiling and poor work life balance have triggered firms to manage their female participation ratio in the corporate hierarchy. This is a review paper on women executives in ASEAN, their performance in corporate boards, and HRM interventions to promote female talents. The reviews of the previous studies indicated that HRM interventions in the form of work life balance, mentoring, and career planning and development promote women executives to scale the organization hierarchy. Avenues for social networks, gender inclusive policies, and top management support, facilitate their level of participation in corporate boards. The presence of more female executives helps organizations to achieve financial and nonfinancial gains. This review paper will be useful to both government bodies and corporate house in ASEAN for engaging and retaining female employees to achieve organizational excellence.

KEY WORDS: Gender diversity, ASEAN, corporate boards, HRM interventions

INTRODUCTION

Gender disparity is an issue not left untouched in the organizations across the globe. Manufacturing, information technology, banking, insurance, and fast moving consumer goods have witnessed gender disparity in all levels of management and corporate boards. This gap needs to be decimated by carving out certain strategies in organizational policies. Female participation in corporate boards enriches both the organization and the nation. In the race of inclusive growth of women, ASEAN industries have taken greater strides. At present, the strength of women in corporate board is less than 10 percent in ASEAN. A similar trend has also been reflected by European public listed companies, where there is single female representation in the board of ten members. Though there is an equal proportion of female participation at entry level, but their proportion declines as they move up in the hierarchy. However a critical mass of 30% female participation is required...
in corporate board to enhance firm’s productivity (Torchia, Calabro, and Huse, 2011). The skewed ratio of women's labor force participation needs to be addressed by government bodies and corporate houses.

**Barriers in Female Advancement in Corporate Boards**

One of the reasons for the skewed participation rate of women executives is a glass ceiling. It results due to supervisor and organizational barrier such as stereotyping, old boy networking, absence of gender inclusive policies, and unsupportive culture in the organization. Glass ceiling inhibits women's advancement to the corporate hierarchy despite their competencies, achievements, and qualifications. It blocks career advancement and growth of female employees leading to disengagement, and attrition.

The other reasons for low corporate board representation of women, is their limited exposure to administrative positions. Rather, they are given more operational roles. However the administrative position would develop their competencies of strategic decision making. Largely females are excluded from strategic planning in the organization. Male employees feel superior to their female counterparts and have a stereotype. Gender stereotyping and lack of support by male counterparts creates barrier for women’s personal and professional growth. Informal networks such as an old boys’ network are another barrier to their advancement. Macho culture of an organization further adds to their woes of advancement and progression. Organizational policies favoring female progression to top management are still absent. Hardly any initiative has been taken by the management for their increased participation to the higher echelons. The presence of more women in the corporate board would help the organizations to develop as a socially responsible company with strong corporate ethics, emphasis on stakeholder relation, creativity, customer satisfaction, financial performance, and overall corporate governance. Female employees possess certain personal, professional, and social competencies, maintain amicable relationship with both internal and external stakeholders (Freeman, 2010).

**About ASEAN**

Association of South East Nations is abbreviated as ASEAN. It was established on 8th August 1967 in Bangkok, Thailand. It includes countries from Thailand, Singapore, Cambodia, Malaysia, Indonesia, Laos, Myanmar, Vietnam, Brunei, and Philippines. Its objective is social, political, and economic progression of member countries by bringing collaboration among them. It accelerates social, cultural, and economical growth of ASEAN members. Their motto is “One Vision, One identity, One Community” and 8th August is observed as an ASEAN day by all the member countries. The previous name of ASEAN was ASA (Association of Southeast Asia) and consisted of three countries Thailand, Malaysia, and Phillipines. Later on in 8th August 1967, with the addition of two more countries, Singapore and Indonesia they renamed as ASEAN. It was joined by Brunei on 7th January 1984 after gaining independence and became its 6th member. On 28th July 1995 Vietnam became an ASEAN’S 7th member. It was joined by Laos and Myanmar on 23th July 1997 as its 8th and 9th members respectively. The last entry was made by Cambodia on 30th April 1990 as its 10th member of ASEAN. These countries work together for mutual interest, provide assistance to each other, and try to raise the living standard of the people.
Women in ASEAN

Third report on the advancement of women in ASEAN reveals that seven types of inequality prevail in a nation that is: mortality inequality, basic inequality, natality inequality, ownership inequality, household inequality, special opportunity equality, and professional inequality. This paper focuses on the professional inequality in female participation in the corporate boards of ASEAN. Study of Gender Empowerment measurement reveals there is very minimal participation in top management positions in all ASEAN members. There is a huge gap between men and women in top positions, mainly in corporate boards.

According to “Economic Forum’s 2014” report on the Global Gender GAP gave the following reports on ASEAN members. Phillipines ranked 9th in globally, as organizations in this country focus on wage equality and equal participation for women in the workforce. It ranks 2nd after Norway in managing women in top positions in the organization. Singapore ranked 59th globally and 18th in the parameters of equal opportunity for women. Laos ranked 60th globally and 5th in equality for women in labor force participation. Thailand ranked 61 globally in gender equality and 5th in equality of wages. It is followed by Vietnam (76th), Indonesia (97th), Brunei (98th), Malaysia (107), and Cambodia (108th). The report on Global Gender Gap was measured in four parameters; Economic participation and opportunity Political empowerment, Education, and health and survival. Myanmar didn’t take part in this survey.

METHODOLOGY

This is a review paper on women executives in ASEAN, their performance in corporate boards, and HRM interventions to promote female talents. The reviews of the previous studies were taken from the databases of Sage, Emerald, Springer, EBSCO, Elsevier, Google scholar, ASEAN websites, and articles related to ASEAN. The review indicated that HRM interventions in the form of work life balance, mentoring, and career planning and development promote women executives to scale the organization hierarchy.

Initiatives by ASEAN in Encouraging Female Participation

ASW (Asian-subcommittee on women) established in 1976 taking on women's issues in the organization. In 1981 it was renamed as AWP (ASEAN Women’s program). During this year, Ministerial Meeting on Women (AMMW) conducted different workshops, consultative meetings, seminars, and training sessions to make aware of gender issues to all stakeholders. In 1988, declaration on women was signed regarding their rights and interests, which included access for female in top management positions in ASEAN.

First women Advancement and Gender Equality program (2005-2010) focused on employability for women, their participation in decision making, and protection against violence. In 2010 ACWC (“ASEAN Commission on the Promotion and Protection of the Rights of Women and Children”) was established for the promotion of women and children in ASEAN member nations. In 2014, ACW ASEAN committee for women was formed to eliminate violence against women. The committee consisted of government representatives and minister from ASEAN, who discusses matters regarding female apathy, concerns, and tries to find a solution for the same.
ACW objective for 2011-2015 was to strengthen human development through female participation in every sector, declaration of eliminating violence against women, and encouraging women to contribute in the field of art and culture. There has been a bilateral and multilateral agreement among ASEAN members for improving the status of women in those countries. There was a memorandum of understanding signed between ASEAN and United Nations development fund for South East Asia for political, social, economic development for women in ASEAN. ASEAN-BAC was established in 2014 for promoting women entrepreneurs as they realized the contribution of women in Southeast Asian economies.

Initiatives are taken by ASEAN members for promoting women in decision making. GREAT women in ASEAN Initiative (GWAI) is a platform that is being initiated to encourage women entrepreneurs, where GREAT is an abbreviation of “Gender RESPONSIVE Economic Actions for transforming women”. This is in support of promoting gender equality and empowerment for women by overcoming the hindrances and challenges they face in course of business.

HRM Intervention for Promoting Women in Corporate Boards

Women's retention is not a welfare system, but the utility of countries human resources. Participation of women in every sphere contributes to the GDP of the nation and brings social and economic development in the country. Understanding the women importance and contribution, organizations are taking viable efforts to engage, retain, and develop those female talents. So, through HRM intervention in the form of work life balance (WLB), Mentoring, and Career Planning and Development (CPD), organizations are trying to retain and promote women in the corporate boards. These interventions are inevitable for the organization to maximize female participation in the top management.

Work Life Balance

Work life balance is the relationship between the individual work and personal commitment to his/her lifestyle. Proper work life balances complement one another and bring synergy in quality of life. Managing work and life brings job commitment, motivation, and ultimately job satisfaction (Lobel & Kossek, 1996). Work life balance policies in an organization reduce intra conflict and provide compatibility between personal and professional life (Kossek and Ozeki, 1998). Female in the ASEAN prioritize family more than professional life, so their advancement to corporate hierarchy is cut short. As a result, their competencies, skills, and abilities are lost on the midway. This is a serious issue as a nation or an organization needs this distinct talent of female labor force to gain a competitive advantage in this dynamic environment. Their talent should be tapped and their engagement and retention are must for the survival of the organization. This resulted ASEAN to start an initiative “1 million ASEAN Voices for Work Life Balance” with the support from JASF (Japan-ASEAN Solidarity Fund) and ASEAN Foundation. It’s for equitable growth, accessing better WLB policies, and future growth. Flexi timings, work from home, crèches services, and telecommute options are a few strategies through WLB interventions to promote female talent in the corporate boards. ASEAN members have taken certain initiatives for maintaining work life balance. Singapore has introduced WOW (Work-life Works), Flexi working, and employer support to manage work and life. In Malaysia, Ministry of Women and Ministry of Family and community Development is taking initiatives to promote women and manage their work
and life. In Vietnam prime minister signed Decision 2351/QD-TTg on “National Strategy on Gender Equality for the period (2011-2010). These aims at gender equality and promoting women in decision making and leadership positions. This aids women in education, health care, employment, and protection against violence. Philippines introduced “Magna Carta of Women Paternity Leave Act 1996” which aims at empowering women and providing equal opportunities for women as that of men. They recognize the importance of women in nation building and develop certain policies, programs, and mechanism to inculcate women in political, social, economical, and cultural roles. Understanding the importance of this issue, ASEAN conducted a conference on work life balance, which was held recently in “Malaysian Global Innovation and Creativity Centre” from 23rd to 25th February 2016. All these initiatives are taken by ASEAN for engaging, motivating, and retaining female talents in the organization and having maximum participation in the corporate boards.

Mentoring

Mentoring is a relationship between an experienced and knowledgeable person guiding a novice person in his/her area of expertise. The former is called a mentor and latter as a mentee. The novice person gains, knowledge, insights, and necessary skills to perform. Mentoring helps an individual both in the personal and professional area (Scandura, 1994). It develops their both soft and technical skills. Mentoring by a competent mentor develops individual confidence, loyalty, and commitment towards the organization. Female employees in the organization need more mentoring as compared to their female counterparts (Ghosh and Haynes, 2008). Mentoring helps in inculcating skills and competencies in women and leads to their higher performance (Scandura 1992). It develops interpersonal skills, provides job satisfaction, and commitment towards the organization (Eby et al., 2008; Eby et al., 2013). Mentoring in an organization make female aware of their job, career, and development opportunities (Mitchell et al 2015) and provides social and emotional support (Ismail et al; 2013).

In ASEAN mentoring is needed for the organization as most of the attrition among women takes place during their mid career. They seek mentors to balance their professional and personal life, need advice for their career management, and to develop their skills and competencies. The main idea of mentoring is to guide, coach, and facilitate women through mentors so they feel motivated, realize their importance, get engaged, and change their intention to quit.

An initiative taken by ASEAN and Australia through “2016 Asia link Women in Leadership Mentoring Program”. This program will interact leading women professionals from different areas: government, business, media, academic, and political. The professional will share their experiences about their own life, how they managed to reach the top positions in their respective fields. They will also share the hurdles in the form of glass ceiling; they have to break in order to reach the corporate hierarchy and will provide useful insights to promote women in corporate boards. This will help ASEAN women get engaged in the organization, have job satisfaction, balance their work and life, and have a quality of life. This initiative will help organization to retain female talents in middle and senior management level and increase their participation in the corporate board.
Career Planning and Development

Career planning and development (CPD) is the inevitable tool for the women to reach the corporate boards. Career planning is an ongoing process about individual skills, values, interests, and preferences which enhances his/her future value in the organization. It’s about individual career, career path, and career goals, that increase the quality of work life (Simonsen, 1997). Lack of career opportunities, work life balance, and unavailability of mentor leads to their disengagement from the organization. As a result, organization loose female talents in the form of social, personal, and professional competencies that are needed for long survival. Through CPD, psychological support is given to the women, which induces their commitment and intention to stay in the organization (Lee, 2005). According to ILO No.156 convention, it illustrates that convenience and protection should be given to both working men and women, who have responsibility, of their children and other elderly member of their families. Till yet no ASEAN member has ratified the No.156 convention. The inability to manage dual responsibilities hinders working women’s career progression in an organization. Therefore, an initiative through CPD is inevitable to make their work and life compatible. Most of the women in the organization take career breaks due to varied reasons: marriage, maternity leaves, taking care of children/elderly and hence loose experiences, pay, and career progression relative to their male counterparts. ASEAN members started taking initiative for this cause. All ASEAN members have ratified CEDAW (Convention on the Elimination of all Forms of Discrimination Against Women). Adding to it, 5 ASEAN members have ratified C111, which states that they prohibit gender discrimination in employment and provide safe and healthy working environment for women. 8 ASEAN members have ratified C100, which states that equal remuneration should be provided irrespective of gender if the work carriers same value. Till yet no ASEAN members have ratified Maternity protection C183/Workers with family responsibilities C156. New initiatives, policies, programs are being formulated by ASEAN members and they are taking big steps ahead in promoting and maximizing women's participation.

Figure 1. Role of ASEAN Programs and HRD Interventions for Promoting Female Participation

<table>
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<th>What we do?</th>
<th>How we do?</th>
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DISCUSSION

With the lesson learnt from ASEAN, viable strategies can be framed to increase participation of women executives in the corporate boards. Mentoring is said to be one toolkit for their high participation. Mentors should be assigned to competent female employees. Mentor guides female employee and motivates them for personal and professional accomplishment confirming path goal theory of leadership (House, 1971). There is a need to establish a women’s network group and formulate gender inclusive policies for corporations to be included in the corporate governance code. Every female employee’s career should be managed through their career planning and career advancement opportunities. So that they can be well prepared for their contribution in the corporate board, which will make them motivated to perform. Top management support is inevitable for the organization to promote women in the highest echelon of management and inculcate them in the corporate board. They have to formulate policies for providing opportunity and retaining female employees through work life balance, increasing their competencies, providing opportunity in the administrative and strategic decision.

Implications

This review paper will be useful to both government bodies and corporate house in ASEAN for motivating, engaging, developing, and retaining female employees to achieve organizational excellence.
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ABSTRACT

In the past few years an increasing number of maritime security threats in Southeast Asia, piracy and smuggling, for instance, have emerged in the region’s waters. Given the discourse, the proposition of this paper states that Indonesia as the biggest maritime country in Southeast Asia has taken a great responsibility to overcome maritime issues in the region. This paper believes that Southeast Asia still needs to expand maritime cooperation and joint collaborative efforts in various maritime fields build upon the ASEAN Maritime Forum objectives. Therefore, the Global Maritime Fulcrum implemented in Indonesia appeared as one of the efforts to stabilize Southeast Asia maritime. By using the concept of the interstate grouping formation of Regionalism by Louise Fawcett (2005), this paper dwells on how Indonesia has been fostering regional maritime interconnectivity in Southeast Asia by analyzing the conceptual relation between national maritime strategy, foreign policy, and regional integration. It then examines Indonesia’s mandate in the maritime security, political, and multilateral cooperation arrangements of the region.

KEY WORDS: Maritime, Southeast Asia, ASEAN Maritime Forum, Indonesia, regionalism

INTRODUCTION

Southeast Asia's maritime realm has always been one of it's main feature since the age of seafaring community in early 5000 B.C.E. Strategic location of Southeast Asia which lies between two major Asian power, India and China, has turned to be a dichotomy to the region. Due to it's strategic path, many nations, say it medium to the great ones, had tried to impose their volitions and penetrate certain interests on political and economical arrangements by threatening the security. By the time being, state consciousness to enhance national resilience gradually come to the surface. Taking examples from several Southeast Asia countries like Singapore, for instance, has ploy to improve it's safe navigation in the Singapore Straits by deploying some task groups through Singapore Armed Forces in securing prior disruptions. Moreover, joint strategic partnership on maritime security, peacekeeping, and humanitarian assistance and disaster relief has also been done by Malaysia along with Japan (Parameswaran, 2015). Moreover, an ambitious
agreement has been made by Thailand along with China to construct the Kra Canal (Liang, 2015). This was aim to make a maritime shortcut of the Suez Canal and Panama Canal by bypassing Malacca Strait, one of the busiest sea-lane in the world which have more than 50,000 vessels on international routes transit every year. By shortening Pacific and Indian Ocean route as far as 1,200 km, the Kra Canal is expected to intensify shipping trade in Southeast Asia.

Nonetheless, even though maritime awareness of each of Southeast Asia has been raised, regional strategic effort to cope the maritime dynamic of Southeast Asia itself is still pathetically minor. Indonesia, then, emphasizing it's strategic geographic position throughout the Indian and Pacific Oceans and vast territory, has articulated to restore its role as a "Global Maritime Fulcrum". Through this vision, Indonesia as the world's largest archipelagic country is attempted to improve Southeast Asia maritime realm, especially in security, diplomacy, interconnectivity, culture, and resource enhancement. From hard to soft power endeavor are going to be operated in order to smooth the realization of this vision. In term of national security, Joko Widodo, Indonesia's current president has aligning cooperation with it's Minister of Marine to seize illegal foreign fishing, create coast guard, and advance maritime infrastructure. To bring it on a broaden horizon, promoting resolutions in ongoing border dispute, such as the South China Sea territorial dispute, is also in the list. Thus was because Indonesia's maritime doctrine is not solely a national vision addressed for national prosperity, but also regional and even interregional ones. Apart from strengthening Indonesia's economic and national potential objectives, the Global Maritime Fulcrum vision is to improve Southeast Asia maritime connectivity and infrastructure, such as constructing sea ports for shipping industries, maritime tourism and resources, as well as seafood sustainability.

Unfortunately, heretofore, Southeast Asia is still filled with various waters security threat, such as piracy issues and ships armed robberies, people smuggling, human, small arms, and drugs trafficking, as well as illegal fishing. However, piracy issue is nothing new in Southeast Asia, yet there is still no settlement of collective efforts in combating piracy. While people smuggling is oftenly associated with sex trafficking, white slavery, child prostitution, and forced labor, which brought illegally. Third, the high amount of small arms trafficking trade is mostly driven by a number of inter-state conflict in Southeast Asia itself which then make a higher amount of weapons from some rebel movement group. In drug trafficking, Southeast Asia has not only becoming a strategic route for its trading but it has been a giant producers of drugs as well. But in recent years, several harsh confrontations have occured, specifically maritime terrorism. The immensity of Southeast Asia waters territory have made it easier for terrorists to attack civilians by doing 'piggy back' to the pirates' ships. Even at particular moments, terrorists might as well bombard another vessels, national cruise liners, and seaports.

In observing the relations of Indonesia and another Southeast Asia countries in encountering maritime issues through cooperation, it is best analyzed through regionalism theory. Regionalism nowadays has taken a significant role as a catalisator of policy tool within countries in certain regional, which then can be a mildstone to the global stage. Acknowledgement to the advent of 'new regionalism' importance and multidimensionality has helped to assess the framing of contemporary international order. The expanding sphere of regionalism which cope both formal dan informal interactions between state and non-state actors has succeed in having a more global reach. Also in this regard, contemporary regions can not be simply defined as territorial definition combining
equation, interaction, and likelihood of cooperation. Thereby, the concept of regionalism has become a policy and project where state and non-state actors coordinate certain strategies for joint cooperation. Quoting from Louise Fawcett (2005) work titled "Regionalism from an Historical Perspective" that "the aim of regionalism is to pursue and promote common goals in one or more issue area". In regionalization case, regionalism process can be divided into two, soft regionalism which formed from sense of commonality, and hard regionalism which formed from interstate consolidating. In case of Southeast Asia maritime cooperation enhancement, Luszczuk (2013) agreed that the increasing use of the sea and oceans have escalate maritime regionalization in the region. Sea and ocean are perceived as a mean in connecting regions. The concept of maritime regionalization in contemporary international relations has grown due to the escalation of operation of maritime transports at the foremost aspect.

Another explanations concerning the importance of Indonesia’s participation in solving maritime security issues in ASEAN is due to Indonesia’s effort to fulfill it’s role regional as primus inter pares. Euan Graham (2015) stated that Indonesia will alway be and keep striving with it’s status to projecting power and national interests in the regional. Besides, Indonesia’s foreign policy focuses Southeast Asia as it’s foremost concentric circles. Accordingly, indirectly, security disruptions in the region will be becoming a direct threat toward Indonesia. Therefore based on the theoretical explanations above, Indonesia, either directly or indirectly, will keep striving to maintain regional stability. That being said, Joko Widodo vision to make Indonesia as a Global Maritime Fulcrum, will be a significant pace to achieve this goal. Thus, seeing the importance of discussing Indonesia’s role in Southeast Asia maritime realm, this paper will focuses on explaining maritime security affair, economic concerns as well as political regulations, and will be closed with Indonesia’s strategies in overcoming Southeast Asia’s maritime challenges.

**Southeast Asia Maritime Governance**

Southeast Asia under ASEAN has been framing several maritime political regulations regarding the security and also the shipping trade sector. Since The Declaration of ASEAN Concord II (Bali Concord II) on October 2003, ASEAN stakeholders acknowledged that the emerging maritime issues in the region waters should be concerned and addressed the states to cooperate regionally in a holistic. Therefore, build upon the ASEAN Political Security Cooperation (APSC) blueprint, the ASEAN Maritime Forum (AMF) was established in 2010. The AMF aims to promote the region maritime cooperation as delivered in the speech of Vice President of the Republic of the Philippines Jejomar C. Binay during the 3rd ASEAN Maritime Forum:

“…it is in our collective interest to deepen ASEAN cooperation across all fronts, to include maritime cooperation and security, as well as maritime connectivity and the protection of the marine environment.”

(Binay, 2012)

Part of the output of AMF meetings strictly struck the policy arrangements in the region regarding the security regimes and also shipping trade regimes. Such regimes need to be enforced in favor of challenging endeavor in the maritime security and trading affairs. Bearing in mind that Southeast Asia is 80% covered by the sea which is a critical and the busiest maritime waterways for trade routes whether from the west or the east, causing problems in the sea that is spilling over into security affairs.
Essentially the joint statements which have been agreed in the AMF, had been formulated in the APSC blueprint and it adhered the substances of the United Nations Convention on Law of the Sea (UNCLOS) regimes. UNCLOS is the global approach formed in international regimes or set of principles, norms, rules, laws, and decision making. The regimes that have been created under a legal institution, International Maritime Organization (IMO), aims to regulate private, trading and military activities in the seas and oceans in the world. Indeed the UNCLOS as international regimes can differ from the regional maritime policy based on the characteristics in each region, but still in accordance with the relevance of the UNCLOS and it is recognized as an international customary law (Basilio, 2012). Proceeding to regional policy in Southeast Asia, there’s actually no specific policy that tends to bind, it is more likely formed as a joint statements based on consensus which are applied in the domestic law or foreign policy. In line with the AMF cooperation framework, the APSC as a rules-based community of shared values and norms, in fact has formed agreements and arrangements which also has been regulating every activities in the region waters such as the Treaty of Amity and Cooperation in Southeast Asia (TAC), the Declaration on the Conduct of Parties in the South China Sea (DOC), the adoption of a regional Code of Conduct (COC) in the South China Sea, and their Plan of Action (Basilio, 2012).

Security Agreements and Arrangements

Southeast Asia within its strategic yet critical location of the sea and the ocean, such as the Malacca Straits and the South China Sea, increases the water’s traffic and creates non-traditional security challenges. Security issues that often occur in the region waters consist of piracy and armed robbery against ships, maritime terrorism, illicit trafficking in drugs and arms, people and goods smuggling, illegal fishing, and territorial disputes (Bateman et al., 2009). Several attempts to stabilize the water’s security has been undertaken by the region, referring to the joint statements which are agreed by the ten ASEAN states in the AMF.

Countering Crimes at the Sea

Southeast Asia has taken an effort to counter piracy and armed robbery issues by ratifying an agreement with the other Asian countries on November 2004, the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP). The agreement is even supported and by Western countries such as the United States and United Kingdom, then as a result it has reduced piracy and armed robbery in Southeast Asia into the lowest level by the end of February 2016 counted from the last 12 months (ReCAAP, 2016).
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Source. The ReCAAP Information Sharing Centre’s (ISC) February 2016 Report.

The ReCAAP that works on facilitating chain of communication, information exchange, capacity building supports, and also regimes that regulate to prevent piracy and the other crimes, has proved the success of multilateral cooperation and the effectiveness mechanism of preventive action. Inside Southeast Asia realm itself, the states have also arranged joint collaborative effort in countering any form of crimes in the Malacca Straits that is set as The Malacca Straits Patrols (MSP), pioneered by Indonesia, Malaysia, and Singapore, with Thailand as a new member (Bateman et al., 2009). The MSP performance indicates such an effective way to guarantee the regional security by operating sea patrols and air patrols utilizing the states’ naval force, the Intelligence Exchange Group and also Joint Coordinating Committee to supervise the activities (Bateman et al., 2009).

Settling Territorial Disputes

Regarding the territorial disputes, the mainstream issue happens to be the South China Sea. The conflicting parties, ASEAN and China, have worked on a agreement pertaining to the rule of international law, self-restraint, the non-use of force, and the peaceful resolution of disputes (Severino, 2012). They resulted a political declaration called the Declaration on the Conduct of Parties in the South China Sea (DOC) in 2002 which divided ASEAN states’ and China’s claim on territories and interests in South China Sea. Following the declaration, the parties continued on proposing the adoption of a legally binding code, called a regional Code of Conduct (COC) in the South China Sea, to promote further stability in the region and was finally approved by both parties in 2011 (Severino, 2012). Unfortunately, the DOC is lacking of decisive mechanism in imposing the parties to obey the agreements, followed by the unsuccessful of COC, and causing the conflict remains in a high tense until now.

A Solution: Indonesia’s Strategy as Global Maritime Fulcrum

Geographically, Indonesia is the biggest archipelagic state and it has a historical trajectory as a maritime kingdom. In geographica position, Indonesia is in the middle of the Indian Ocean and the Pasific Ocean, it also posses the control over several strategic points of Sea Lines of Communication (SLOC) which spread over the the Strait of Malacca, the Sunda Strait, Lombok Strait, and the Ombai-Wetar Strait (Pattiradjawane & Soebagjo, 2015). Regarding the territorial jurisdiction, the total area of Indonesia since the enforcement of
UNCLOS in 1982 has been changed to 5.8 million km$^2$ and 70 per cent of the total area is comprised of the ocean with the territorial sea of 284 thousand km$^2$. Setting out from the fact, Indonesia within its natural leadership trait and its strategic location offers a solution in challenging maritime affairs and managing the regional maritime stability in Southeast Asia.

It must be questioned how Indonesia would give solutions to maritime stability in Southeast Asia by just referring to the fact of its strategic location. Indonesia’s government under President Joko Widodo itself has been enforcing a national maritime strategy towards Global Maritime Fulcrum. He emphasized to restore Indonesia’s maritime power guided by the old motto of the nation, *Jalesveva Jayamahe*, which means “at sea we are victorious”. Jokowi’s vision regarding this maritime strategy popularly known as his commitment in his presidential framework that can be summarized: (1) focus on strengthening Indonesia’s maritime security, (2) expand the scope of regional contribution to cover the entire region of the Indo-Pacific, (3) upgrade the global role through middle power diplomacy to promote a comprehensive maritime cooperation, and (3) utilize the Indonesian navy as a respected regional maritime power (Widodo, 2014).

**Maritime Security**

**Upgrading Naval Force**

Arising from such objectives, Jokowi is also establishing a defensive firewall by enhancing an advanced naval force to protect the country’s maritime sovereignty and assets, sea-lanes and territorial waters from both non-traditional security threats and external incursions (Shekhar & Liow, 2014). But his scope of project is not laid down only to that limit. He has been reaching the regional security cooperation by promising the capabilities of Indonesia’s naval force, for instance, in operating a coordinated sea patrols with Malaysia and Singapore which is also known as the Malacca Straits Patrol (MSP). In the field, Indonesia’s naval capabilities are still less superior compared to the neighboring states—Singapore, Thailand, and Vietnam. In Susilo Bambang Yudhoyono’s presidency, former Indonesia’s president, the government did an enforcement of the Minimum Essential Force (MEF)—a modernization of Indonesia’s military—that has been set into three phases of the period 2005 to 2024. In the project of the naval force development, the MEF is increasing the production of ships into the total 274 ships from foreign countries and domestic with the updated technologies for striking and patrolling capabilities. The development consists of the weapons procurement, development of defense industry, and the improvement of the defense research facilities. The plan itself is still now going on to the second phase and has made a concrete progress from the first phase through the warships and submarines procurement, as well as the expansion of the operational base of the navy with the addition of three naval fleets (Shekhar & Liow, 2014).

**Invigorating Foreign Policy through Diplomacy**

The long-standing territorial disputes of the South China Sea has been a major issue between ASEAN states and China. Indonesia has been playing a middle power role in this issue by mediating the conflicting parties through several dialogues. Several attempts to maintain the region’s stability has done by forming guidelines of the Code of Conduct (COC) since the Conduct of Parties in the South China Sea (DOC) itself. President Joko Widodo’s maritime administration has provided a political momentum to reappraise
Indonesia’s strategy by fostering maritime partnership with China (Gindarsah & Priamarizki, 2015). As well said by the former Indonesia’s foreign minister, Marty Natalegawa, Indonesia is not one of the conflicting parties of the South China Sea Disputes and is not directly involved in the conflict. But, maintaining the well-established “independent and active” principle remains Indonesia’s foreign policy guideline to avoid furthering major power rivalries, therefore Indonesia keeps on doing efforts to solve the disputes peacefully without creating a chaos in the region, also in order to protect the country’s national interests. As a neutral party, Indonesia has been actively working on a preventive diplomacy to finish the formation of the Code of Conduct as a form to regulate the conflicting parties’ activities and behavior in the South China Sea. To date, Indonesia’s diplomacy effort is seemingly a well progress to redeem any chaos between ASEAN and China.

Maritime Trading

Encouraging the Region’s Commerce and Connectivity

President Joko Widodo’s objectives in reactualizing Global Maritime Fulcrum consists of Indonesia’s goal to enhance the regional maritime interconnectivity through commerce and port hub. The doctrine emphasized that the revamping of the country’s maritime infrastructure is including the development of the ports and ships before proceeding to a hub of regional maritime commerce (Shekhar & Liow, 2014). The trade shipping has been a major transportation for economic distribution, linking ports in Southeast Asia and the rest of the world. Indonesia’s strategy is now also focusing on improving port hub and trade shipping whether internationally or domestically. It has been brought by Indonesia as the main agenda during the APEC Focus Group Discussion on April 2013. Followed by ASEAN, the region now is managing a plan of developing a “nautical highway system” and promoting a “ring shipping route” in maritime Southeast Asia as a part of the Master Plan on ASEAN Connectivity (Shekhar & Liow, 2014).

CONCLUSION

Southeast Asia has a long historical trajectories in maritime realm. However, this long experience of Southeast Asia maritime is not directly proportional to the maximizing maritime resources and the way to preserve it. Intra and interstate conflict which led to the scarcity of cooperation have also affect the fruitfulness of maritime coordination in the region. Continuous and prolonged conflicts are keep occuring due to the lack of imposed power in charged in the region. Indonesia, then, has once again emerge as primus inter pares that will maintain maritime stability of Southeast Asia region through many aspects, either security, trade, and it's vision to be a "Global Maritime Fulcrum". As the biggest archipelagic state and awareness of it's strategic position, Indonesia is dare to take responsibility to take control and encourage the effectivity of cooperation in the region. While in maritime economic concerns, Indonesia has promoted to develop port hub in Southeast Asia in order to improve interconnectivity. Besides, to bolster its objective to be a leading maritime nation, Indonesia has also been playing as a middle power to mediate South China Sea dispute. To sum it up, Indonesia's vision to be a "Global Maritime Fulcrum" can not be achieved unless Indonesia seeks to unite it's main circle as a foremost agenda. Therefore, linear cooperation among Southeast Asia countries are needed in order to overcome the existing endemic maritime issues.
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EFFECTIVE LEADERSHIP FOR INNOVATIVE ORGANIZATIONS IN THAILAND

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ABSTRACT

Innovation is one of key success factors of organizational success. To successfully foster innovation, leadership could play a crucial role. However, there has not been a conclusion on leadership style matches with the context of innovative organizations in Thailand, where innovation is included in the National Economic and Social Development Plan. This study attempts to propose effective leadership styles that can nurture innovative organizations in Thailand. A combination of qualitative method and Delphi technique was adopted. Results of this study revealed 19 leadership characteristics which can be divided into three groups: (1) leaders’ attitude, (2) leaders’ skills, and (3) leaders’ behaviors. Results of this study agreed with existing literature regarding elements of transformational leadership and new paradigm of leadership. However, the concept of empowerment, which was believed to foster innovation and innovative organizations, was not directly found. This study recommends quantitative studies of identified characteristics for the purpose of generalization. Case study research and comparative studies among ASEAN countries are also recommended. The results of this study can contribute to leadership development programs for organizations.

KEY WORDS: Leadership, innovation, innovative organizations, Thailand

INTRODUCTION

Innovation is important to organization’s success. To create organization’s competitive ability and advantage, innovation is needed (Wei & Si, 2012). Thailand is putting forward the role of innovation in almost every sectors. The 11th National Economic and Social Development Plan for 2012 to 2016 takes innovation as a driving force for developing national economy and society. The plan also suggests sustainable development on the firm ground of innovation and creativity (Office of National Economic and Social Development Board, 2012). Therefore, innovation could be an important factor that makes Thailand self-immune and grow sustainably in a rapidly changing global and national context.

Innovation refers to an act or a process of introducing something new, such as new customs, new methods, or new devices. Innovation can also mean changes in the way people do things (Neufeld, 1998). Innovation is man-made, or at least having human involving in its’ creation. Innovation is a social or organizational process (Becker & Whisler, 1967). Therefore, it would be impossible for any organizations to accomplish a vision of becoming innovative organizations without driving people. Leadership, as a process of influencing and managing people to create changes that driving organizational goals (Achua & Lussier, 2010; Daft, 2008), is important for organization to be innovative.
Leadership plays an integral role in facilitating innovative efforts at multiple levels and across multiple stages (Friedrich, Mumford, Vessey, Beeler & Eubanks, 2010). To support individual’s creativity, leadership and organizational climate play important roles in organizations (Wei & Si, 2012). Even leadership has been studied in various dimensions and perspectives, there has not been a concrete answer to the question about leadership that is crucial to innovative organizations in Thailand. To contribute to the country’s economic and social development according to the The 11th National Economic and Social Development Plan, this study aims to find an answer to the question of what is leadership for innovative organizations in Thailand?

LITERATURE REVIEW

To find the answer for the research question, related literature was reviewed.

Innovation and Innovative Organizations

Eventhough innovation is close to change and adaptation, Becker and Whisler (1967) suggested that organizational innovation was not the same as organizational invention, change or adaptation, yet they are related. Invention, which is a creation of new things, is significant to innovation but not yet an innovation. Innovation takes place only when there are intregral actions of members of organizations putting an invention to use in organizational or social context.

The concept of newness could be confusing when mentioning about innovation. Newness does not always refer to the very first time an innovation is created, but refers to the first time it is put to use. Innovation could be defined as an early use of an idea or an intervention in certain social setting with certain goals. Innovation appears to be a complex process in which a number of critical influencing variables (Becker & Whisler, 1967).

Innovation is one of the key factors to improve performance and competitive advantage of the organizations (Ertürk, 2012). Not only technological-based innovation, but organizational innovation such as nature, structure, arrangements, practices, beliefs, rules and norms of organizations are also significant to enhance the ability of firm (Sapprasert, 2008).

An innovative organization can be defined as a novel advancement that behaviorally, culturally, and/or systematically shapes organizations (Metcalf & Palmer, 2012). Characteristics of innovative organizations could consist of (1) flexible organizational structure, (2) organizational climate and culture which supports idea sharing, (3) learning in organization that fosters employees’ competency and knowledge, (4) leadership style that drives innovation creation, and (5) strategic alliances between organizations and external knowledge sources (Chutivongse & Gerdsri, 2014).

A definition of innovative organization in Thai context was suggested by Pakdeelao (2011) as an organization with capabilities of creating, improving, or developing its products, services, process, or management. Innovative organization must have a system that fosters innovation to serve customers’ requirements, crate value added and competitive advantage continuously and sustainably. According to Pakdeelao (2011), leadership was one significant characteristic of innovative organization, together with
vision and goals, organization structure, management, human resources, rewards and recognition, communication, information management, resources, evaluation, connections, culture and shared values. Pakdeelao’s (2011) suggestion aligns with Rogers’ (1983) suggestion of four main elements of innovation: innovation itself, communication channels which provide shared information and mutual understanding within the organizations, timing of adoption, and a social system which engages people who responsible to solve the problem to achieve the common goal.

Drucker (2011) suggested five desired actions of innovative organizations: (1) the analysis of opportunities from difference sources, such as the unexpected success and failure, the incongruity between reality and vision, the need of the process within organizations, industry or market structure changes, demographics changes, new knowledge, and so on, (2) perception about the expectations and needs of customers, (3) simpleness and focus of innovation, (4) small starts, and (5) leaders who are most influencing the innovative environment within the organizations.

In conclusion, innovation becomes key success factor of the organizations’ success and sustainability. To become innovative organizations, certain characteristics and environment, namely supportive organizational structure, organizational climate, learning organization, and leadership style, are needed.

**Leadership and Innovative Leadership**

One explanation of leadership was proposed by Achua and Lussier (2010) and Daft (2008) that leadership is the influencing process or relationship among leaders and followers to achieve their shared organizational objectives through change. There are several groups of leadership theories. The trait theories attempt to explain about distinctive characteristics that are required to successful leadership (Achua & Lussier, 2010; Judge, Heller & Mount, 2002). Behavioural leadership theories explains effective leadership basing on influencing and working styles of leaders (Achua & Lussier, 2010). Most of them mention a continuum between two styles of leadership: (1) control and result-oriented behaviours, and (2) considerate and people-oriented behaviours (Blake & Mouton, 1985; Blake & McCanske, 1991; Lewin, Lippett & White, 1939; Likert, 1961). Contingency leadership theories explains effective leadership based on appropriateness of leaders’ behaviours with different situations (Achua & Lussier, 2010). Several situational elements could be considered to select a proper style of leadership, such as leader-members relationship, task structure, leaders’ position power (Fiedler, 1972), followers’ willingness to perform tasks, and followers’ ability to perform tasks (Hersey, Blanchard & Johnson, 1996). Combinations of those elements create different situations where different leadership styles are needed.

Leadership is a multidimensional concept. It could be a process involving people in certain organizations, characteristics needed in the process of influencing people to drive changes in organization toward shared goals, or choices of behaviors of those who are leaders by which they influence people.

To analyze leadership characteristics that support innovation, it must be taken that leadership is a process of influencing people strategically, affecting changes in intentions, actions, culture, and systems (Metcalf & Palmer, 2012). With such definition, there could be plenty of possible leadership elements to nurture innovative organizations. Daft (2008)
mentioned the new paradigm of leadership, which could be possible answers to the above question and to the research question of this study. Leadership becomes more about change and crisis management, rather than managing to ensure stability. Leadership is more about empowerment, than control. Leaders should consider creating collaboration, rather than competition. Leaders should consider diversity, rather than uniformity. Leadership is about higher ethical purpose, not self-centered. Leaders would become more humble, rather than being heroes of the team. Innovative leader appeared to be guided by vision and value of organizations and to lead followers to common goal, encouraging teamwork in decision making, experimenting for continuous improvement, developing both self and followers, being a mentor or a coach, and focusing on financial, cultural, and stakeholders’ perspective (Metcalf & Palmer, 2012).

As innovative leadership is about change, to foster change and innovation in organizations, roles of leadership can consist of coaching, effective rewards or recognition, appropriate communication, motivating people, involving people, and encouraging teamwork and collaboration (Gilley, Dixon & Gilley, 2008).

There is a debate whether innovative leadership should include the characteristics of innovator. Without a solid answer, abilities and characteristics of innovator should be considered by those who would like to claim an ability of innovative leadership. Dyer, Gregersen and Christensen (2009) suggested the innovator’s characteristics of questioning by asking the right question, observing to understand details of situations, associating different things and issues, networking to search for different ideas and perspectives, and experimenting using systematic process to learn of new concept is valuable for an organization.

**Empowerment**

Empowerment means giving authority to individuals or group of individuals to perform certain tasks (Neufeld, 1998). Empowerment is to facilitate followers to make decisions (Bowen & Lawler, 1992; Erstad 1997) and take responsibility for their actions (Pastor, 1996).

Agreeing with Daft’s (2008) new paradigm of leadership regarding changing perspective from controlling to empowering people, Burpitt and Bigoness (1997) suggested that leaders' empowering behaviour significantly influenced level of innovation among professional teams. Ertürk (2012) also found that empowerment has impact on organization members’ creative performance, which can lead to innovation. Research has proposed empowerment as a crucial elements of innovative leadership. Wei and Si (2012) found that empowering climate affected the relationship between leadership and followers’ creative performance. Ertürk (2012) suggested that empowerment has impact on employee’s perception that their performance can enhance processes, strategies, and results of the organizations.

De Jong and Hartog (2007) listed leader behaviors to promote employees’ innovative behaviors as follow: innovative role-modeling, intellectual stimulation to encourage ideas and evaluate practices, stimulating knowledge diffusion through communication,
providing vision and common goal, consulting and decision making, delegating by giving autonomy and empowerment, emotionally supporting in friendly manner, recognizing innovative performance, properly monitoring, and assigning challenging task and encouraging commitment of employees.

**Transformational Leadership**

Transformational leadership is leadership that foster changes in status quo by articulating followers the current problems and a compelling vision (Achua & Lussier, 2010). Transformational leadership was known as a character of leaders who capture followers’ attention, present a vision, inspire followers to pursue the vision and shows them the way of achievement (DeSimone & Werner, 2012). The characteristics of transformational leadership are idealized influence (be a role model for followers), inspirational motivation (encourage teamwork, provide meaning and challenging work to followers), intellectual stimulation (challenge followers to go beyond their normal performance), and individualized consideration (concern followers’ needs in personal development and act as a mentors or coaches) (Riggio, 2009). In summary, transformational leadership proposes the concept of multiple mechanisms toward performance and change. Transformational leader trusts, inspires, empowers, and stimulates his or her followers to achieve their common goal.

Previous studies found roles of transformational leadership on innovation in diverse context. Kao, Pai, Lin, and Zhong (2015) found transformational leadership positively influencing employees’ perceived innovative organizational climate. Transformational leadership has a positive direct relationship and impact on innovation, growth and profitability (Matzler, Schwarz, Deutinger, & Harms, 2008), and followers' creative performance (Wei & Si, 2012).

Transformational leadership was found to be important influence on innovation by leading to followers’ goal-directed behavior and expected performance, also promoting organizational change and trust in organizations (Al-Husseini & Elbeltagi, 2014). Transformational characteristics are the foundation for climate for initiative, commitment to change, and implementation behavior (Michaelis, Stegmaier & Sonntag, 2010). As leader becomes role model and inspires followers to achieve the shared goal, the empowered followers tend to initiate new ideas and changes.

In Thailand, research findings about its effects on organizational performance are diverse. Limsila and Ogunlana (2008) found a better contribution of transformational leadership on employees’ working performance and organization commitment than transactional leadership. However, Kananurak (2011), and Laohavichien, Fredendall, and Cantrell (2011) suggested that transactional leadership still had its’ roles in organization management. It can be concluded that transactional leadership was still found to be important in Thai organizations.

**METHODOLOGY**

To reach the results, qualitative data collection and analysis, together with the Delphi technique was performed to triangulate the results, according to Loo’s (2002) suggestion.
First, qualitative data was collected from the discussion call the Leadership CIRCLE, where researcher participated as an audience. The discussion was held under one question which is the same as research question of this study. The facilitator of the discussion was an associate professor who has been in the field of leadership development for over ten years. Participants of this discussion were recruited from researchers, practitioners, and graduate students who were working, studying, or researching in the field of leadership or related field to ensure that they were subject matter experts. There were 25 participants in the discussion, which could be also taken as a super group in terms of group interview (Cooper & Schindler, 2006). Identity of all participants is classified according with the agreement with all participants and the organizing committee. Data analysis was done by the data driven coding process (Rouna, 2005) to define what the data were about and get the themes and patterns of the data (Glesne, 2011). Trustworthiness of the results was ensured by inter-raters reliability and audit trail to the full transcription. The results of qualitative data collection transformed to the list of leadership characteristics which was used to develop questionnaire for Delphi technique.

Second, Delphi technique was used to find the expert opinion to answer the research question (Loo, 2002). This study selected Delphi technique for its characteristic of being a systematic process of collecting and organizing opinions (Ratanopas, 2014). The following are steps of performing Delphi technique of this study.

**Panel Selection**

The trustworthiness of the Delphi technique’s results depends on credibility and commitment of subject matter experts (SMEs) (Ratanopas, 2014); therefore, panel of SMEs was a combination of male and female who are working, researching, or instructing in the field of leadership development or related fields. They are from various types of organizations: education institutions, private organizations, and public organizations. The panel comprises of both scholars and practitioners, and both participants of a group interview and non-participants.

SMEs who agreed to participate in this study were asked to participate in three rounds of opinion collection. SME’s identity was kept anonymous according to ethical matter and tradition of Delphi technique (Landeta, 2006; Loo, 2002). Nine of fifteen SMEs fully participated in three rounds, which was acceptable number according with Loo’s (2002) suggestion of five to ten homogeneous participants.

**Delphi Round One**

Round one data collection was performed using a 31-item questionnaire. According to Loo’s (2002) suggestion, free space was provided for SMEs to answer an open-ended question to capture the data which might not be asked explicitly in the questionnaire. SMEs were asked to rank each leadership characteristic for their importance to the stage of being innovative organizations using five-pointed Likert-typed scale. The questionnaire of Delphi round one employed a scenario to provide context of innovative organizations and to ensure that all SMEs started from the same base, (Loo, 2002).

Using an overall mean score was used to analyze data as a cut point to define importance of each characteristic, 18 characteristics remained. Characteristics added by SMEs were collected and analyzed using content analysis approach to group similar items together,
forming them to be items in the questionnaire for Delphi round two. There were 14 themes emerging from round one.

**Delphi Round Two**

Round two was performed with 32-items of five-pointed Likert-typed scale questionnaire, plus 13 items of confirming items. The 13 confirming items were added in to have SMEs confirm characteristics which were eliminated by the results of round one. Confirming questions asked all SMEs to decide if those leadership characteristics important to leading innovative organizations in Thailand on a yes-no basis. The yes answer meant SMEs considered those characteristics important for leadership for innovative organizations.

Using an overall mean score of leadership characteristic was used as a cut point to define importance of each characteristic, 21 of 32 characteristics remained. Analysis of confirming questions was done by taking majority of SMEs opinions. There were seven characteristics taken back.

**Delphi Successive Round (Round Three)**

Successive round questionnaire focused on areas which consensus had not been reached (Loo, 2002). This round was the last round as the results were repetitive. Researcher distributed the remaining 28-itemed questionnaire with mean score from the second round of each item, and the score each SME provided for each item in the previous round.

Using an overall mean score of leadership characteristic was used as a cut point to define importance of each characteristic, the final results of Delphi process attained 19 leadership characteristics.

**RESULTS AND DISCUSSION**

There were 19 leadership characteristics revealed. They fall in three groups of leadership characteristics. The first group is leaders’ attitude. The second group is leaders’ skills or abilities, which present what leaders can do. However, having certain attitude or an ability to do something does not always lead to what leaders actually do. Therefore, the last group of characteristics was leaders’ behaviors. These characteristics tell about what leaders do, that surrounding people can perceive. The results align with literature on leadership that reveals multidimensional concept; a process or an activity involving people, sets of characteristics needed in the process of influencing people to drive changes in organizations toward shared goals, or choices of behaviors by which leaders influence people.

**Leaders’ Attitudes**

The first set of characteristics which could be summarized as leaders’ attitude are presented below.

**Being Creative and Having Sense of Innovation**

This refers to an attitude that makes people feel free to think creatively and to see from different perspectives (Transcription line number 74 and 278). This characteristic relates
to the concept of innovation itself, which is the concept of newness. Creativity is an ability or intellectual that allow one to bring about something new (Neufeld, 1998). Together with sense to innovate, which is to bring about new thing (Neufeld, 1998), being creative is one among many important characteristics for innovative leadership.

**Being Passionate**

The term passionate mentioned in the results of this study is in a context of work. Passionate people are those who have or show strong feeling or attachment (Neufeld, 1998) with their jobs. Being passionate, one would love what they do, and be persistent. Passion makes people strive for the best results of work. According to the results, passion is one of a key success factor of creating innovation. It was mentioned that creativity without passion is useless (Transcription line number 205-206). This characteristic does not directly match with the literature about innovative leadership. However, it match well with Buddhism concept of passion can be considered as a path to accomplishment, called the Four Rddhippada. Boonsatorn (2013) suggested that work passion is related to the concept of Chanta in Buddhism. Chanta, as one of the four Rddhippada, refers to satisfaction and love in performing work. However, passion, suggested by results of this study, relates to all four elements of the Rddhippada; (1) Chanta or the love and good intention in doing jobs, (2) Viriya, or strong effort and persistence, (3) Chitta, or thoughtfulness in doing job, and (4) Vimangsa, or introspection to make sure that work is correctly done (Phra Bhrama Kunaporn, 2003).

**Being Open-Minded for Different Opinions**

Being open-minded includes the act of listen to others and trying to understand clearly before drawing conclusions. This relates to the concept of empowerment, which is to enable employees to make decisions (Erstad, 1997). To empower, leaders need to be open for what empowered followers decide to do. Chutivongse and Gerdri (2014) suggested that organizational climate and culture which support idea sharing are important for creating innovation. Drucker (2011) also mentioned the importance of seeking for and listening to the expectations and needs of customers/stakeholders to become innovative organizations.

**Being Curious and Taking Action**

This refers to a positive attitude toward continuous leaning. This concept relates to the concept of innovative leader suggested by Palmer (2012) that innovative leadership related to continuous improvement and self development. Leadership for innovative organizations should involve curiosity, and ability to take action to learn. It also relates to the concept of questioning suggested by Dyer et al. (2009). This characteristic is slightly different from continuous learning. Curiosity is a desire to learn (Neufeld, 1998), not yet to really learn. This characteristic is categorized as an attitude, not yet a behaviour.

**Being Risk-Taking**

Leaders should not be afraid of taking risk. This concept matches well with Achua and Lussier’s (2010) that leadership should foster changes in status quo. It also matches the concept of transformational leadership in terms of inspirational motivation, which includes providing meaning and challenging work to followers (Riggio, 2009). De Jong and Hartog (2007) mentioned assigning challenging task, which shows an attitude of risk-taking, as
one of good leadership. This underlines Daft’s (2008) leadership approach that leadership becomes more about change and crisis management, rather than ensuring stability. This also aligns with the concept of experimenting suggested by (Dyer et al., 2009). This reveals the notion that innovative leadership, at some extent, needs to involve being innovator.

**Having Sense of Entrepreneurship/Ownership**

This allows leaders to understand organizational and business context. Such understanding is important to creation of innovation, as Chutivongse and Gerdșri (2014) suggested that organizations created innovation through all organizational resources to create values into the markets for stakeholders. Having this sense allows leaders to see and to engage in organizational context and resources available. As Drucker (2011) suggested, the analysis of opportunities is needed in order to successfully create innovation. Those that are needed can be obtained by leaders who are having sense of entrepreneurship/ownership.

**Leaders’ Skills and Abilities**

The second set of characteristics which was summarized as leaders’ skills and abilities are presented below.

**Implementing Skill**

This refers to an ability to transfer ideas into outcomes. It is important for leader to be able to make things happen, not just think of innovation. This characteristic does not directly match with literature. However, it allies with the concept of innovative leader suggested by Metcalf and Palmer (2012) that innovative leaders should be experimenting for continuous improvement. In this regards, leaders need to be hands-on to tasks. Michaelis et al. (2010) suggested that leader should have implementation behaviours. It would be difficult for leaders without implementing skill to become leaders in innovative organizations. Leaders should focus on surrounding environments by having financial, cultural, and stakeholders perspective (Metcalf & Palmer, 2012). Innovation cannot be created from an ivory tower.

**Inspiring and Motivating Skills**

This matches with the concept of transformational leadership. The elements of idealized influence, inspirational motivation, and intellectual stimulation (Riggio, 2009) can clearly elaborate this characteristic. This study suggests that leadership for innovative organizations should involve the ability to motivate and inspire followers, create passion, and encourage followers to see value of innovation.

**Diversity Management Skill**

Diversity in organizations is not only cultural, but there are also generations, genders, and so on. Leaders of innovative organizations should be able to understand, and manage diversity to unleash highest potential of followers. This concept relates to Daft’s (2008) suggestion on the new paradigm of leadership that leaders should consider diversity, rather than pushing toward uniformity. This also relates to individualized consideration, which refers to concern of followers’ needs in personal development and act as a mentors or coaches, which is one element of transformational leadership (Riggio, 2009).
Networking Skill

This refers to an ability in creating and maintaining network and collaboration. This aligns with the new paradigm of leadership (Daft, 2008) and the innovator’s characteristics (Dyer et al., 2009). Creating collaboration instead of competition is one among many elements of new leadership for organizations. Innovation was developed out of communication channels which provide shared information and mutual understanding within the organizations, and a social system which engaged people who responsible to solve the problem in order to achieve the common goal (Rogers, 1983). Leaders of innovative organizations need this skill, as networking is a way to search for new perspectives (Dyer et al., 2009).

Leaders’ Behaviors

The third set of results was summarized as leaders’ behaviors, which tells about what leaders do and perceived by surrounding people. This third set, as a whole, matches with a concept of leaders as role models that can influence followers’ behaviors (Riggio 2009).

Ready to Get Out of Comfort Zone

This is almost similar to the attitude of risk-taking. However, this one refers to actual behaviours. Leadership should foster changes in status quo (Achua & Lussier, 2010), give challenging work to followers (Riggio, 2009), commitment to change (Michaelis et al., 2010), managing crisis (Daft, 2008), and experimenting (Dyer et al., 2009). Should leaders are not ready to get out of their comfort zone, followers could questions their behaviour, especially when leaders are taken as role models.

Transformative Behaviours

This refers to actions that leaders take to change nature of organizations. This concept attempts to identify different perspective from transformational leadership, which explains elements of leadership that make organizations transform. This characteristic highlights behaviours that create changes. Innovation needs a social system to foster its’ existence (Rogers, 1983) Therefore, leaders need to continuously and effectively foster changes in nature of organizations. It might take a different angle, yet relates to transformational leadership in an element of promoting organizational change (Al-Husseini & Elbeltagi, 2014).

Continuous Learning

This can be applicable to life-long learning. It relates to, but not the same as being curious and taking action. Continuous learning is a going on actions of acquiring new sets of knowledge and skills (Neufeld, 1998). This matches with Palmer’s (2012) concept that innovative leader should execute continuous improvement, and self development.
Creating Working Environment That Nurtures Innovation

This matches with existing literature about a social system that engages people to achieve the common goal as an element of innovation (Rogers, 1983), and innovative environment influenced by leader (Drucker, 2011). Chutivongse and Gerdsri (2014) suggested that innovative organizations should have a flexible organization structure, and organizational climate and culture which support idea sharing. Existing proposal about innovative organization mentioned about importance of working environment that nurtures innovation. The creation of that environment should be taken as leadership for innovative organizations.

Attentive with Observing Skills

This relates to Drucker’s (2011) suggestion about starting small as key success for developing innovation. Starting small requires detail-oriented and attentive behaviours. Observing is also one among five important characteristics of innovator (Dyer et al., 2009).

Being an Explorer or Having Behaviours of an Explorer

This, again, indirectly relates to exiting literature of innovative leadership. To be innovative organizations, analysis of opportunities is needed (Drucker, 2011). With behaviours of an explorer, which is the passion to see and discover the unknown (Neufeld, 1998), searching for opportunities could be highly possible.

Imaginative

This does not related to existing literature. However, it relates to the previous characteristic of being an explorer. Imaginative means having great creative power (Neufeld, 1998). Invention is an origin of innovation. Once invention yields integral actions of members of organizations put it to use, it becomes innovation. To reach innovation, great creative power is useful. Therefore, imaginative behaviors could be counted as leadership for innovative organizations.

Learning as a Team, or Team Learning

Team learning allows knowledge to build upon one another. Being learning organizations to develop employees’ competency was mentioned as a characteristic of innovative organizations by supporting idea sharing (Chutivongse & Gerdsri, 2014). It is important for leaders to be able to manage team learning, which is one of important characteristics of learning organizations, as it allows creation of problem solving capacity of the organizations through better access to knowledge and expertise (Senge, 1990)

Recognizing Innovation

De Jong and Hartog (2007) proposed that to foster innovative performance of employees, recognition was needed.

In conclusion, leadership for innovative organizations relates to the elements of transformational leadership. This leadership also involves concepts of the new paradigm
of leadership (Daft, 2008). However, this study did not directly find empowerment as leadership characteristic, even it was suggested by existing literature as an element of innovative leadership. Despite so, elements of empowerment were found as parts of other characteristics; for example, open-mindedness. Another interesting debate is about whether leadership for innovative organization need to include an element of being an innovator. Even the answer is still unclear, the above results reveal characteristics similar or related to four innovator’s characteristics suggested by Dyer et al. (2009). It could be concluded that being an innovator or having characteristics of innovator is needed in leadership for innovative organization.

**SUGGESTION FOR FUTURE RESEARCH**

According to Okoli and Pawlowsk (2004) there could be two more steps for investigating the research question after the use of Delphi technique to identify plausible factors of leadership for innovative organizations in Thailand. The study which involves quantitative testing of identified factors is recommended to communicate and generalize the results, and to cope with one of major criticism of the Delphi technique of quantitative reliability and validity (Loo, 2002). In performing quantitative research, quasi-experimental design was suggested to verify if they are applicable (Okoli & Pawlowsk, 2004).

Case study research is also recommended. Researcher(s) might select successful leaders of innovative context which can lead to screening of leadership characteristics of this study. Qualitative method would provide in-depth understanding, which would possibly lead to different answers from what mentioned above about quantitative method. Another possibility for future research is to perform comparative studies among ASEAN Community countries, which have differences in culture, languages, and historical background. This study was performed under the context of Thailand. The results might not be fully applicable with other neighbor countries, or multinational corporations.

**IMPLICATION FOR PRACTICE**

This study provides idea about leadership for innovative organizations, which is a straightforward suggestion for leadership development program for organizations which aim at being innovative organizations, or having vision about driving innovation. Apart from using results of this study in developing leaders, they can be useful in other human resource management and development approaches. Leadership is not limited to those who already are leaders. Every employee should have leadership at work. Organizations with a vision of innovative organizations, or innovation as a core value could take the results of this study as a guideline for developing and designing recruitment criteria, training strategy, and other human resource related functions.
REFERENCES


TRAINING COMPREHENSIVENESS AND INNOVATIVE BEHAVIOR: A STUDY OF TOURIST HOTELS

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ABSTRACT

In this paper the researchers aim to examine training comprehensiveness measures in the tourism sector and evaluate its effect on innovative behavior. Based on the recommendations of Hair and Anderson (2009), data were collected from 380 employees and their 76 managers/supervisors (5:1 dyad) working in highly rated tourist hotels in Uttarakhand, India. Exploratory factor analysis was conducted followed with confirmatory factor analysis and descriptive analysis. Multiple regression analysis was undertaken to examine the effect of perception of training comprehensiveness on innovative behavior. Results provided three dimensions of training comprehensiveness measures. Further, perception of training comprehensiveness predicted employee’s innovative behavior in a positive and significant manner. This study suggests managers should encourage employee participation and trainer-trainee interaction in training sessions to improve the perception of training comprehensiveness. Further, employees should be provided regular, systematic, daily needs based training to improve their innovative behavior.

KEY WORDS: Training, tourism, innovative behaviour, regression, Uttarakhand, India

INTRODUCTION

The number of hotels catering for tourist in different parts of India is increasing (Dhar, 2015). However, with a simultaneous change in the preferences and attitudes of consumers, these hotels face severe competition in the market (Garg & Dhar, 2014). Meeting the needs of the consumers and, at the same time, attaining a higher section of the market share is becoming a problem for hotel owners. In order to survive and differentiate their hotel from others in the market, hotel owners are required to offer different customized programs to their customers (Tyagi, Dhar, & Sharma, 2015). In line with this finding, Dhar (2015) showed that tourist hotels can provide better services when their employees exhibit innovative behavior (IB). Amo and Kolvereid (2005) defined IB as “an initiative from employees concerning the introduction of new processes, new products, new markets or combinations of such into the organization” (p. 8). IB enhances the work culture, helps improve the final service towards their customers and improves profits and market share (Jaiswal & Srivastava, 2015). Although the importance of innovative behavior is well documented, very few have analyzed the subject in the context of hotels.
for tourist (Dhar, 2015; Garg & Dhar, 2014; Jaiswal & Dhar, 2015). Therefore, the primary aim of this study is to examine the level of innovative behavior among hotel employees.

Scholars in the field of human resource management have long advocated the importance of human resource development (HRD) practices towards employees positive work behavior (Srivastava & Dhar, 2016; Kyoung Park, Hoon Song, Won Yoon, & Kim, 2013). They emphasized employers evaluation of performance of employees and making changes in HRD policies and practices, as and when required. HRD practices were found to support improvement in employee skills, vigorous partaking in decision making processes and employee mobility (Snell & Dean, 1992). HRD practices offer training for employees’ professional development and motivates them to use discretionary efforts (Shuck & Reio, 2011; Ehrhardt, Miller, Freeman, & Hom, 2011; Whitener 2001; Srivastava & Dhar, 2015). These practices ultimately stress increasing the level of employee behavior and performance.

Srivastava and Dhar (2015) provided an extensive measure to examine employee training comprehensiveness (TC) in service industries. However, they suggested re-examining of the measure in different samples and reassessing its influence on different behavioral variables. Further, scant literature can be found on the relationship between perception of training comprehensiveness and IB. Thus, to fill in this gap, the present study attempts to examine the TC scale in a hotel sample and the relationship between TC and IB.

The first section of this paper includes introduction to the problem followed by section two for the literature review, section three for research methodology, sample and findings, and finally, section four comprises discussion, implications, and conclusion.

BACKGROUND

In this study, hotels operating in different tourist destinations of Uttarakhand, India are taken as the subject of the study. This is because tourism provides significant revenue to this state and contributes towards the nations’ foreign reserves (Garg & Dhar, 2014; Dhar, 2015). The tourism industry (hotels, restaurants, and travel) is facing on a daily basis a high level of competition (Patil, 2011; Gautam, 2012). Being an unstructured and fragmented industry, hotel owners are required to manage changing demands of customers, which range from local to national to international. For this, employees require proper training. In the absence of adequate training, employees find themselves facing difficult situations (Tyagi et al., 2015). They perceive training as irrelevant and time wasting sessions.

Spontaneity and innovativeness is a tool for them to deal with their customers (Jaiswal & Dhar, 2015; Phukan et al., 2012). Therefore, it is necessary to analyze to what extent the perception of training can influence employees’ ability to provide creative and innovative services (Hannam & Diekmann, 2010; Mittal & Dhar, 2015). When employees show innovative behavior at work, the hotel is highlighted and differentiated from other competing hotels. They gain a higher competitive advantage. Currently, hotel rating on apps and other travel websites are considered as the basis for bookings, encouraging employees to exhibit IB, which is very much needed (Mohsin, & Lockyer, 2010).
LITERATURE REVIEW

Training Comprehensiveness

Training is an important element of HRD practices (Srivastava & Dhar, 2016; Pareek & Purohit, 2011). Training means a skill development program which aims at improving the skill, knowledge and abilities of employees to execute a particular task. This is a way to stimulate change, employee commitment and reduce the intention to leave the organization. Snell and Dean (1992) proposed that when training is regular, systematic, and rich in content and given by trained facilitator or trainer, it encourages employees’ positive behavior such as innovative behavior. They supported well-structured programmes with extended training sessions to ensure effective skill improvement and transfer of a broad range of skills. Studies in the last decade argued the importance of attitude towards training as an important variable which influences employee behavior (Whitener 2001; Srivastava & Dhar, 2015). This finding is line with Ehrhardt et al. (2011) who showed the relevance of perception of training comprehensiveness. Training comprehensiveness refers to employees’ perception regarding the extensiveness of training programs provided by the organization.

These studies specified that the clarity and understanding gained from training, learning and skill developed from the content and availability of resources for effective training are the aspects that develop the sense of comprehensiveness among individuals. Srivastava and Dhar (2015) extended the concept of the perception of TC and defined it as “individual tendency to judge institutional facilities for training and development and demonstrates what employees feel regarding the training provided, knowledge and skill they perceive to have gained, perceived effectiveness of strategies used and usefulness of the overall training tenure” (p. 624). Perception of training comprehensiveness is also considered as high performance human resource practice that can derive higher outcomes and is assumed as training characteristics which actually affects an employee’s intention towards the meaningfulness of training programs (Snell & Dean, 1992).

Evaluation of TC is important to two senses. First, it is based on the past training programs provided by the organization. Therefore, when employees have low TC perception, it means training provided is not found to be meaningful by the employees. Second, it includes a broader perspective of training such as quality of trainer, training resources, reason of training, time and frequency. This indicates that the perception of TC does not develop because of over-confidence of the employee or based on a social support/consensus. It is generated out of one’s need to receive training that can support an employee’s day-to-day work and encourage their interest in work.

Innovative Behavior

Studies have shown IB to be a multifaceted behavior which is initiated with problem identification followed by creation of ideas and their implementation (Scott & Bruce, 1994; Jaiswal & Srivastava, 2015). IB implies employee’s intentional foreword or application of innovative ideas, products, processes, and procedures to the work role, work unit, or organization (West & Farr, 1989). Janssen and Van Yperen (2004) defined innovative behavior as “intentional generation, promotion, and realization of new ideas within a work role, workgroup, or organization” (p. 370).
Employee creativity, i.e., generation of new ideas, is assumed to be the basis for IB (Janssen, 2000; Yuan & Woodman, 2010). It is different from IB as creativity related with generation of novel and original ideas to solve a problem, as IB includes implementation of those ideas (Shalley et al. 2009; Zhou, 2003). IB improves employee interest towards their job, reduces the tendency to leave and remain absent, and increases their commitment and loyalty towards the organization. Additionally, IB serves the economic aspect of whole service and encourages positive outcomes in terms of profitability, performance, and goodwill.

In the tourism industry, employee IB is of importance (Dhar 2015; Jaiswal & Srivastava, 2015). It is the employees’ IB that gives a good name to the hotels they work in. Hotels with innovative employees stand out from the others and receive high rankings and feedback from their customers (Garg & Dhar, 2014). The more employees exhibit IB, the more they are considered to perform and serve their customers well. In turn, the feedback enables hotels to gain new customers in the future. IB furthers employees to enter into good and healthy relations with co-workers, which in turn provides inspiration, information, resources and support to develop, encourage and derive novel ideas (Perry-Smith & Shalley, 2003).

**Training Comprehensiveness and Innovative Behavior**

The employer is responsible for understanding their employees’ perception towards organizational HRD practices, specifically training (Snell & Dean, 1992). Since perception drives human behavior, negative perception towards HRD practices can negate the effects of training and development programs. Affirming this linkage, Garg and Dhar (2014) showed that human resource practices influence the IB of employees. Similarly, Srivastava and Dhar (2015) specified that employees’ perception towards the TC has a greater (significant) impact on employee innovative job performance. Ehrhardt et al. (2011) showed that individual perception towards TC in a work environment can play an important role in deriving productive results and employee commitment towards innovativeness. Whitener (2001) also argued that perception towards TC can influence an employee’s actual role performance and creativity. In the early phase of industrial training, Snell and Dean (1992) called for improving employees’ perception for TC only to gain positive results. They confirmed the need for regular, systematic and content strong training, and a skill development program to increase employee performance, commitment and innovativeness.

Hypothesis 1: The measure of training comprehensiveness is valid in tourist hotel context.
Hypothesis 2: Training comprehensiveness predicts tourist hotel employee innovative behavior.
METHODOLOGY

Participants

The population of this study were hotels operating in different regions of Uttarakhand, India. Data were collected from the hotel employees and their immediate managers through convenience sampling technique. Out of the hotels approached, 91 hotels consented, which were then given a paper questionnaire. Five employees from each hotel were asked to rate their TC while the employer/manager of each hotel were asked to rate their employees’ IB as supervisors and managers are considered accurate evaluators of employee’s performance (Srivastava & Dhar, 2016). Responses were collected personally, screened for outliers and missing values. Complete response were collected from 380 employees and 76 managers which were used for analysis, to form a dyad of 5:1.

All precautions were taken to eliminate bias in the employee IB evaluation process undertaken by their supervisors. These questionnaires were translated into the local language, Hindi, for more comprehensive understanding of the questions for the respondents. Later, the questions were again re-translated into the English language, while maintaining the quality of conversion as provided by Brislin (1986). Aid from two language experts was also taken for the same reason. The majority of the employees were male, within the age range of 20-30 years. The majority of the employers/managers were also male with experience of more than 14 years.

Measures

To examine training comprehensiveness, we adopted the measure provided by Srivastava and Dhar (2015). Exploratory factor analysis (EFA) was conducted through Promax oblique rotation method and maximum likelihood technique in SPSS 20 version. Kaiser-Meyer-Olkin (KMO) test indicated for sampling adequacy (estimate = 0.916, p = 0.001) (e >0.90, Kaiser, 1974) and Bartlett’s test for sphericity categorized the suitability of the factor analysis (chi square = 3550, df = 171; p = 0.000) (Tobias & Carlson, 1969). The joint screen test put forward by Cattell (1966) provided 19 items loaded on three factors, thus indicating the measure of “perception for training comprehensiveness” converging into three dimensions. Based on the literature, these dimensions were named as clarity and understanding (3 items), learning and skill development (10 items), availability of resources (6 items). The goodness-of-fit test also supported a good fit, as chi square = 946.30, df = 152 (p=0.000). Moreover, the Cronbach reliability of measure for TC proved to be 0.944.
Employee’s innovative behavior was evaluated by the 6 item scale provided by Hu et al. (2009). The Cronbach alpha reliability of this scale was 0.963.

Controls

Age, education, experience and gender are taken as the control variables in this study. Since hotel ratings affect the employee training levels, we also considered hotel rating as the control variable in this study (e.g., Foote & Tang, 2008).

FINDINGS

Internal consistency (composite reliability), convergent validity (factor loadings; average variance explained) and discriminant validity of the measures were assessed followed with Harman one factor test to examine the common method bias in responses. Composite reliability above 0.60 ensured the internal consistency of measures (TC = 0.944; IB = 0.961) while item loadings above 0.40 (TC = 0.621 to 0.850; IB = 0.522 to 0.658) and AVE above 0.50 represented the convergent validity of the measures (Bagozzi & Yi, 1988). Discriminant validity was tested by comparing squared correlational estimates with AVE of each constructs. Since AVE values were all above the correlational estimate of that construct this represents no issue for discriminant validity (Fornell & Larcker, 1981). This results supported hypothesis 1.

Furthermore, descriptive analysis was carried out to examine mean, standard deviation and correlation among the variables in the hypothesised model. Mean score for TC was 2.69 (SD = 1.20) and for IB was 2.46 (SD = 1.45). Correlational analysis indicated positive and significant correlation between the constructs (r = 0.513). This indicated that these variables were highly related to each other.

Confirmatory factor analysis was conducted to confirm the good fit of the hypothesised model using AMOS 20. This provided results for various conventional and incremental fit indices such as goodness of fit indices (GFI), confirmatory fit indices (CFI), normed fit indices (NFI), and root square mean error of approximation (RMSEA) to present the level of fit of the model. In this study, CFI was 0.946, GFI was 0.879, NFI was 0.913 and RMSEA was 0.69. These estimates surpassed the threshold provided by Hair et al. (2006) for χ²/df < 3, NFI = 0.90, RMSE = 0.08, CFI: higher value indicates better fit, and Seyal et al., (2002) for the GFI close to 0.90.

Moreover, consistent with the hypothesis 2, perception of TC predicted employees’ IB in a positive and significant manner. To examine the hypothesis, multiple regression analysis was carried out in SPSS 20. In first model, control variable were input to check the influence of demographic variable on dependent variables. Next, the independent variable was regressed on the dependent variable. Table 1 shows the effect of TC of IB.
Table 1.

**Results of Regression Analysis**

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Innovative behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Control variables</strong></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>0.123</td>
</tr>
<tr>
<td>Experience</td>
<td>-0.287</td>
</tr>
<tr>
<td>Education</td>
<td>-0.165</td>
</tr>
<tr>
<td>Gender</td>
<td>0.523</td>
</tr>
<tr>
<td>Star rating</td>
<td>0.215</td>
</tr>
<tr>
<td><strong>Independent variables</strong></td>
<td></td>
</tr>
<tr>
<td>Training comprehensiveness</td>
<td></td>
</tr>
<tr>
<td>Clarity and understanding</td>
<td>0.426***</td>
</tr>
<tr>
<td>Learning and skill development</td>
<td>0.319**</td>
</tr>
<tr>
<td>Availability of resources</td>
<td>0.386**</td>
</tr>
</tbody>
</table>

The result from Table 1 show that perception of TC had positive and significant effect on employees’ IB.

Since self reported data were used for the analysis; Harman’s one factor test was conducted to identify the chance of common method bias in the study. Since the One-factor test result carried out by principal axis provided 37% (less than 50%), this indicates that common method bias has least effect on inflating the responses in this model (Podsakoff & Organ, 1986).

**DISCUSSION AND IMPLICATIONS**

This study focused on the specific attribute of hotel employees which contribute significantly towards the service quality of employees. To improve the skills and knowledge of employees, both existing and newcomers, hotels should involve them in frequent training. Nevertheless, employees remain hesitant to exhibit IB resulting in hotels finding it difficult to differentiate themselves from their competitors and attract more customers. This study evaluated whether the employees’ perception of TC is a cause that influences employees’ IB.

The results of exploratory factor analysis indicated that all the 19 items converged to the construct. Though extending the findings of Srivastava and Dhar (2015), this study provided three dimensions of TC based on the literature. In this way, this study extended the literature on training and specifically, TC.

Furthermore, regression analysis showed that clarity and understanding of training encouraged employees to exhibit more IB. This is because employees considered training should be given at regular intervals, understood the explanation of supervisor and found it relevant and useful. Learning and skill development also affected IB. This shows that when employees perceive their supervisor as supportive, providing target oriented
sessions, being knowledgeable and effective, they tend to reciprocate through IB. Moreover, availability of resources during training sessions also influenced employees’ tendency to display IB. This indicates that when employees identify organization’s commitment to provide regular, different and sufficient training, they are encouraged to perform IB. Employees then become involved in providing innovative ideas to solve problems, create original ideas to serve customers, seek new methods and techniques to do their work and consider them self creative members of the team. Therefore, this study suggests that managers should encourage employee participation and trainer-trainee interaction in training sessions to improve the perception of TC. Moreover, employees should be provided regular, systematic, daily needs based training to improve their IB.

CONCLUSION

This paper aims at examining the TC measure in tourism sector and evaluating its effect on IB. Hotel employees were the subject of the study. Results extended the scale of TC and provided three dimension of the scale. Furthermore, the results showed perception of TC as the predictor of employees’ IB in a positive and significant manner. This study suggests that managers should encourage employee participation and trainer-trainee interaction in training sessions to improve the perception of TC. Employees should also be provided regular, systematic, daily needs based training to improve their IB.

This paper was limited to a hotel context, thus scholars in the field of tourism may consider evaluating the model in different contexts. Prospective studies can also be carried out to assess the different mediators and moderators in the presumed model. Re-examination of the reliability of the findings of this study can also be undertaken. Other multivariate analysis such as structural equation modelling can also be conducted to inspect the degree to which TC influences IB.
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LANGUAGE LEARNING STRATEGIES HELD BY ENGLISH MAJOR AND NON-ENGLISH MAJOR STUDENTS: SIMILARITIES, DIFFERENCES AND FACTORS AFFECTING STRATEGIES

by

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ABSTRACT

The benefits of language learning strategies vary but, importantly, they help students master the language. Given this, the present research was conducted to examine language learning strategies of six university students from three different majors (Accounting major, English major, and Science major). To gather data, the researcher interviewed student participants; interviews were taped, transcribed, and later analyzed by open and axial coding techniques (Staruss & Corbin, 1990). Overall, the findings indicated that students from the Accounting major used the most learning strategies compared to students from the other two majors. The learning strategies that the Accounting major students used included, for example, metacognitive, social, cognitive, affective, memory, and compensation strategies respectively.

KEY WORDS: Language learning strategies, English major and non-English major students

INTRODUCTION

According to the influence of new socio-political and socio-economic realities, English become the international language used in diplomacy, air navigation, commerce, finance, banking, tourism, and especially in scientific publication (Salahshour et al., 2013). However, the English proficiency of Thai citizens is considered to be very low, as shown by the mean TOEFL score of the Thai test-takers that is lower than the average score (550) for Asian countries (ETS, 2007-2012). The average TOEFL scores of Thai students ranked between 485 and 500 between 2007 and 2012. In terms of the English Proficiency Index, Thailand ranked 62nd out of 70 countries globally and 14th out of 16 countries in Asia (EF Education First, 2015). Learning strategies have been the center of attention in the teaching-learning process (Deneme, 2008). For the past few decades, learning strategies have been necessarily playing various roles influencing learners to enhance their language learning (Oxford, 2003). Oxford (1990) explained that strategies make learning easier, faster, more enjoyable, more self-directed, more effective, and more transferable to new situations. Learning strategies are defined as “specific actions, behaviors, steps, or techniques—such as seeking out conversation partners, or giving oneself encouragement to tackle a difficult language task—used by students to enhance their own learning” (Scarcella & Oxford, 1992). Moreover, Oxford explained that learning strategies can be divided into two main categories, direct and indirect, and subdivided into six sub-groups.

To require knowledge, both direct and indirect learning strategies can be seen in a learner’s leaning process. Direct strategies involve memory, cognition, and compensation.
Memory strategies help learners to link one L2 item or concept with another but does not necessarily involve deep understanding. Cognitive strategies allow learners to manipulate the language material in direct ways (e.g., through reasoning, analysis, note-taking, summarizing, outlining). Compensation strategies help learners make up for missing knowledge (e.g., guessing from the context in listening and reading, using synonyms and “talking around” the missing word to aid speaking and writing). On the other hand, indirect strategies do not directly involve using the language, but support language learning. Indirect strategies are classified as metacognitive, affective, and social. Metacognitive strategies are employed for managing the learning process overall (e.g., identifying one’s own learning style preferences and needs, planning for an L2 task, monitoring mistakes, and evaluating task success). Affective strategies include identifying one’s mood and anxiety level, talking about feelings, rewarding oneself for good performance, and using deep breathing or positive self-talk. Social strategies help learners work with others and understand a target culture as well as the language (e.g., asking questions for verification, asking for clarification of a confusing point, asking for help in completing a language task, talking with a native-speaking conversation partner, and exploring cultural and social norms).

Within the area of foreign language research, a number of studies of learning strategies have been conducted mainly to identify what strategies learners use, as well as factors affecting uses of such strategies. Halbach (2000) and Gerami and Baighlou (2011) studied learning strategies used by successful and unsuccessful students. Both studies showed that successful EFL learners applied more learning strategies than unsuccessful learners. Gerami and Baighlou also found that successful students often utilized metacognitive strategies more than unsuccessful students. In contrast, Deneme (2008) investigated the uses and preferences of Turkish students’ English language learning strategies and showed that the majority of the participants preferred compensation strategies to organize and evaluate their learning more than memory, cognitive, metacognitive, affective, and social language learning strategies. Not only preferences of students, but also students’ attitudes toward the course affected learning strategies as in the study of Cetingoz and Ozkal (Cetingoz and Ozkal, 2009).

Regarding the research reviewed above, it can be concluded that students’ language competence (successful and unsuccessful) and students’ attitudes (positive and negative) affect the amount of language learning strategy use. Successful students used more strategies than unsuccessful students. Furthermore, students having positive attitudes used more strategies than students having negative attitudes. These studies mostly compared the strategy use of students merely differentiated by their competence and attitudes. For this reason, the researcher in the present study aims to investigate the similarities and differences of the strategy use by different major students—between English major and Non-English major (Accounting major students and Engineering major) students.

OBJECTIVES

The goal of this study was to address the following research questions:

1. What are language learning strategies used by English major and non-English major students?
2. What are the differences and similarities regarding language learning strategies between English major and non-English major students?

3. What factors affect the use of language learning strategies?

**METHODOLOGY**

To answer these research questions, the researcher employed a qualitative paradigm. In this study the qualitative paradigm was selected because it is method with a multiple focus, involving an interpretive, naturalistic approach to its subject matter. This means that qualitative research allows researchers to study subjects in real natural settings, attempting to make sense of or interpret phenomena in terms of the meanings people bring to them. Qualitative research involves the collection of a variety of empirical materials and can include techniques such as case study, personal experience, introspective, life story interview, observation, historonic, interaction, and visual texts that describe routine and problematic moments and meaning in individuals' lives (Denzin & Lincoln, 1994). In the current research, the researcher interviewed English major students and non-English major students to document and review learning strategies used by these groups of learners.

To explore language learning strategies used, the participants consisted of six randomly selected participants. In the English major group, there were two students. In the non-English major group, there were two Accounting major students and two Engineering major students. The data were collected through interview. Interviews are particularly useful for documenting the story behind a participant's experiences. The interviewer can pursue in-depth information about the topic. Interviews may be useful follow-ups to respondents who have answered questionnaires, e.g., to further investigate their responses (McNamara, 1999). Moreover, the interview technique allows participants to express themselves. There are many types of interviews, including structured interviews, semi-structured interviews, unstructured interviews. In this study semi-structured interviews were used as the research tool since the semi-structured interview provides greater scope for discussion and learning about the problem, opinions, and views of participants. While there are some fairly specific questions in the interview schedule, there are more questions which are open-ended. The latter questions mainly serve to explore different facets of the issue; therefore, semi-structure interviews are an appropriate choice. Before the interview began, the participants were informed of the purposes of the research and were informed that they would remain anonymous. The interviews took 15-20 minutes during which recordings were made. Interviews were conducted by the researchers based on participant responses. The interviews recordings were transcribed for later analysis.

The data analysis used in this study focused on students’ verbal expressions. Constantly, the comparative method was used to develop an understanding of the data. The transcribed interviews were identified, compared and coded into tentative conceptual categories by using open and axial coding techniques. Open coding was used to identify information included the students’ responses to the questions. These data were examined for similarities and differences of strategy use between the students. Similar strategies were grouped together to form categories. Axial coding was the next stage after open coding. In axial coding, data were categorized in new ways to create related and meaningful groups of data. The category tables derived from the data show similarities and differences of strategies used by those students based on two main points: (a) between English major and Accounting major students, and (b) between English major and Engineering major students. Moreover, the factors affecting such strategies were identified. Subsequently,
presentation of the data in the tables took a narrative form, using examples to illustrate the categories of strategies used and demonstrate the interrelationship of using such strategies between the students as well as to show the impact of factors on the use of strategies.

RESULTS

In this section findings are reported derived from interviews concerning three issues: (a) similarities and differences in language learning strategies used between English major students and non-English (Accounting major) students; (b) similarities and differences in learning strategies used between English major students and non-English (Engineering major) students; and (c) factors affecting language learning strategies used by the students.
### Table 1.

**Comparison of Strategies Used Between English Major and Non-English (Accounting) Major Students**

<table>
<thead>
<tr>
<th>Strategies</th>
<th>English Major</th>
<th>Non-English (Thai) Major</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Metacognitive</strong></td>
<td>- paying attention to lecture in class &lt;br&gt;- surfing the Internet for related information &lt;br&gt;- learning new vocabulary from watching movies, listening to music, international news and watching English TV programs &lt;br&gt;- arranging a study space and a schedule before class</td>
<td>- positive attitudes toward learning English &lt;br&gt;- teacher’s classroom operation &lt;br&gt;- peer pressure &lt;br&gt;- English is compulsory course &lt;br&gt;- good rapport with teacher</td>
</tr>
<tr>
<td><strong>2. Affective</strong></td>
<td>- self encouragement</td>
<td>- chatting via instant messaging with foreign friends &lt;br&gt;- consulting with teachers about writing techniques &lt;br&gt;- immediately asking teachers and friends questions when having problems &lt;br&gt;- peer reviewing</td>
</tr>
<tr>
<td><strong>3. Social</strong></td>
<td>- trying to practice speaking with teachers &lt;br&gt;- trying to participate in classroom activities &lt;br&gt;- asking teacher and friends &lt;br&gt;- exploring cultural and social norms by being in the real environment &lt;br&gt;- chatting via instant messaging with foreign friends &lt;br&gt;- peer reviewing &lt;br&gt;- following the teacher’s direction</td>
<td>- chatting via instant messaging with foreign friends &lt;br&gt;- consulting with teachers about writing techniques &lt;br&gt;- immediately asking teachers and friends questions when having problems &lt;br&gt;- peer reviewing</td>
</tr>
<tr>
<td><strong>4. Memory</strong></td>
<td>- taking note of new vocabulary to create vocabulary ranges</td>
<td>- taking note about confusing issues and manipulating to understand the language &lt;br&gt;- reviewing, summarizing, and analyzing lecture notes after class</td>
</tr>
<tr>
<td><strong>5. Cognitive</strong></td>
<td>- trying to understand new vocabulary by using a dictionary &lt;br&gt;- taking notes and creating mind mapping to summarize information &lt;br&gt;- eliciting main ideas from listening tasks</td>
<td>- taking note about confusing issues and manipulating to understand the language &lt;br&gt;- reviewing, summarizing, and analyzing lecture notes after class</td>
</tr>
<tr>
<td><strong>6. Compensation</strong></td>
<td>- guessing meaning from context</td>
<td>- guessing meaning from context</td>
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</table>
Table 1 shows that all participants (English major and Accounting major students) had positive attitudes toward learning the English language. Moreover, both majors used similar language learning strategies. However, Accounting major students used more strategies than English major students, in which they used all six strategies while English major students used only four strategies.

English and Accounting major students both used Metacognitive strategies (thinking about thinking, e.g., self-regulation, executive control) such as paying attention to lecture in class, learning new vocabulary from watching movies and listening to music. All these students explained that they used these strategies as tools to practice and acquire English competence. Students from both English and Accounting major stated how they used these strategies to learn English. Siri, an Accounting major student, described her strategy use as:

*When I watch English movies, I usually open English subtitle and sometimes try to listen to the conversation without subtitles.*

In the same way, another Accounting major student, Kaew, described her strategy use:

*I enjoy using Youtube to practice my speaking and listening by opening video clips all day long.*

Yim, English major students, stated her strategy use as:

*When I watch English movies, at first time I usually try to listen carefully to get the main idea and then open English subtitle.*

While another English major student, Yam, expressed her strategy use as:

*In the literature subject, I used the internet to check meanings of poems that I had problems because each poem did not have direct meaning.*

Although they used the same Metacognitive strategies, there were some differences in how they employed such strategies. According to interview data, English major students said they had to prepare reading before class while Accounting major students did not mention this point. Yim, English major student, stated:

*Sometimes I have to prepare myself before going to the classroom because teachers usually ask questions, and preparing allows me to better handle with the lesson.*

Regarding how the students improved their English, two Accounting major students said that apart learning English in classroom they also enrolled in a tutoring school. They added they learned many language learning strategies from such schools. Kaew, an Accounting major student, illustrated her learning strategies as:

*When I did a test in a reading part, I used techniques from the tutoring school by reading questions first, and then finding answers by scanning the text. When I found unknown words, I tried to guess meaning from the context.*

Likewise, another Accounting major student, Siri, explained her strategy use:
I like language learning strategies that I have learnt from my tutoring school. The teacher taught me to remember vocabulary by singing songs.

When looking at social strategies, the interview data showed that both English major and Accounting major students used almost the same techniques such as chatting with foreign friends via instant messaging, consulting with a teacher about writing techniques, asking the teacher and friends questions when having problems, and peer reviewing. However, Accounting and English major students differently explored cultural and social norms by being in the real environment (English speaking countries). Yim, English major student, described her social strategy use as:

*Using English in the real situations is a good way to practice English. I had ever been to United State of America for two months and Singapore about one week. It offered me the opportunities to use and improve my English competence.*

Regarding cognitive strategies, both English and Accounting major students used the strategy in the same way. For example, students took notes about confusing issues, manipulated to understand the language, reviewed, summarized, and analyzed lecture notes after class. There was one difference in using cognitive strategies that was using dictionaries mentioned by students majoring in English. They used dictionaries to check part of speech of words and to comprehend through analyzing word options rather than ascertaining the meaning only as Accounting major students did.

Regarding compensation strategies, both English and Accounting major students used compensation strategies in the same way. They usually guessed meaning from context when the exact meaning of words was unknown such as Siri, Accounting major student, described:

*When reading English passages or English books, I rarely use a dictionary. I usually guess the meaning from the context.*

According to the interview data, affecting strategies and memory strategies were only used by Accounting major students. For the affecting strategies, students majoring in Accounting said that they applied the affecting strategies to encourage themselves in English language learning while English major students did not mention this strategy. Concerning memory strategies, Accounting major students used the memory strategies to memorize new vocabulary by taking note of vocabulary to increase their vocabulary range. In contrast, English major students memorized new vocabulary by using cognitive strategies as mentioned previously.
## Comparison of Strategies Used between English Major and Non-English (Engineering) Major Students

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Major</th>
<th>Non-English (Science)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Metacognitive</td>
<td>- paying attention to lecture in class - surfing the Internet for related information - learning new vocabulary from watching movies, listening to music, international news and watching English TV programs - arranging a study space and a schedule before class - surfing the Internet for related information</td>
<td>- positive attitudes toward learning English - teacher’s classroom operation - peer pressure - English is compulsory course</td>
</tr>
<tr>
<td>2. Affective</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3. Social</td>
<td>- trying to practice speaking with teachers - trying to participate in classroom activities - asking teachers and friends - exploring cultural and social norms by being in the real environment - chatting via instant messaging with foreign friends - peer reviewing - following the teacher’s direction</td>
<td>-</td>
</tr>
<tr>
<td>4. Memory</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5. Cognitive</td>
<td>- trying to understand new vocabulary by using a dictionary - taking notes and creating mind mapping to summarize information - eliciting main ideas from listening tasks</td>
<td>-</td>
</tr>
<tr>
<td>6. Compensation</td>
<td>- guessing meaning from context</td>
<td>-</td>
</tr>
</tbody>
</table>
Table 2 shows that English and Engineering major students used similar language learning strategies. Concerning the similar strategies, the two major students used metacognitive and social strategies and did not use affective strategies. Regarding the different strategies, English major students used cognitive and compensation strategies but Engineering students did not. Moreover, while Engineering students used memory strategy, English major students did not.

In terms of metacognitive strategy, these students reported that they usually paid attention to lecture in class and learned new vocabulary from watching movies and listening to music outside of class. However, English major students also watched international news and English television programs, arranged a study space and a schedule before class, as well as searched the Internet for more information. This is different to English major students, while science students used the dictionary to define meaning and took note of unknown words.

In terms of social strategy, students from both majors said that they chatted with foreign friends via instant messaging. Additionally, when these students had trouble with their learning, English major students asked friends and teachers to help. In contrast, Engineering major students merely asked for help from friends as they did not dare to ask teachers directly due to shyness. For example, one participant, Malee, admitted this in the following conversation:

“Interviewer: Why don’t you ask your teacher?
Malee: Sometimes, I am too shy. (Laughing)”

Moreover, in terms of social strategies, English major students used more techniques as follows: trying to practice speaking with English teachers, trying to participate in English classroom activities, exploring cultural and social norms by being in English speaking countries, peer reviewing before submitting their work, and applying teacher’s suggestion for more development.

While English major students used cognitive strategies, Engineering major students did not. For example, English major students tried to understand new vocabulary by using a dictionary, taking notes, creating mind maps to summarize information, and eliciting main idea from listening tasks. In addition, Engineering major students memorized language patterns from language books or the Internet to directly write in their work, while English major students did not.

**Impact of Factors on Language Learning Strategy Use**

In language leaning, there are similar factors affecting the strategies used by English major students, Accounting major students, and Engineering major students.

For English major students, four factors affected their strategy use. The first factor, students had positive attitudes toward learning English so used more strategies to improve language competence. The second factor was teachers’ classroom operation affecting the social and metacognitive strategies. Students liked the way that teachers taught in the classroom. As the students reported, they were willing to pay attention and participate. They also tried to practice speaking with the teacher and did not hesitate to ask the teacher when experiencing problems. Moreover, they applied the teacher’s suggestions to improve
their language skills. Another factor was peer pressure. These students thought that they were learning in English major so there was competition among in learning English. Malee, an English major student, described:

*I am studying in English major and most of my friends have high English competence, so I need to improve myself.*

The last factor was that English was a compulsory course.

For Accounting major students, five factors affected the strategy use. The first factor, students had positive attitude toward learning English so enjoyed learning English and used more strategies to obtain English. The awareness of the importance of English was the second factor. For example, Siri, an Accounting major student claimed:

*I think English affects on my study and my future career because knowing only Accounting is not enough anymore.*

Likewise, an Accounting major student, Kaew, expressed her perspective:

*People who have better English always get better jobs. So if my English is still weak, I have less opportunity to get a good job.*

The third factor was learners’ own preferences. For example, students majoring in Accounting had fewer opportunities to practice writing skills so thought that they were not good at these skills. This reason had impacts on learners’ preferences in that they used less language learning strategies to improve writing skills. Another factor was peer pressure. These students thought that their English competence was lower than their friends. Siri, an Accounting major student, stated:

*My friends are good at English so I have talked to myself that I have to practice. Then, I began listening to English songs.*

The last factor was teacher’s classroom operation. As English was not a compulsory course for Accounting major students, teachers did not emphasize teaching and students learned in tutoring schools. For this reason, Accounting major students used more language learning strategies than English major students.

For Engineering major students, four factors affected the strategy use. The first factor was the negative attitudes toward English language learning. Because of this factor, these students did not try to improve English competence, so used strategies less than English major students. For the second factor, they were nevertheless aware of the importance of English as Chompoo, an Engineering major student, described:

*I would like to develop my English because I think in my future career I might have to speak with foreign patients.*

Another factor was their major. Students did not have many opportunities to study English as English was provided as an elective subject. Later, the same participant stated:

*I would like to practice English but I don’t have enough time because I have to devote most of my time to my major compulsory subjects.*
The last factor was the negative attitudes toward teachers’ classroom operation. The teachers did not manage teaching to meet students’ needs as Malee, another Engineering student, described:

*I want to learn English communication that it can be used in my future career, but my teacher only offers me English grammar lesson. I think it cannot be really used in my real word, then I forgot it.*

DISCUSSION

The purpose of this study was to investigate the similarities and differences of the strategy use by different major students, between English major and non-English major (Accounting and Engineering major students). When examining the interview data, the research questions were addressed as follows.

1. What are language learning strategies used by English major and non-English major students?

Only four out of six language learning strategies (metacognitive, social, cognitive, and compensation) were used by English major students. Social, metacognitive, and cognitive strategies were mostly used respectively to acquire English language competence because of the environment and major factors.

Strategies used by non-English major students are different from those used by English major students. Regarding students from non-English majors, Accounting major students used all six strategies. Metacognitive and social strategies were mostly used respectively as these students were aware of the significance of English. They found that one who can communicate in English effectively will have more possibility of finding a better job than others who cannot.

In contrast to English and Accounting major students, Engineering major students used the least strategies among the participants in this study as they were the only group who had negative attitudes toward English language learning. These students used only three strategies (metacognitive, social, and memory). Metacognitive strategies were mostly used among these students.

2. What are the differences and similarities regarding language learning strategies between English major and non-English major students?

Concerning similar strategies used by English and Accounting major students, both used metacognitive, social, cognitive, and compensation. The reasons were that though from different majors, they had positive attitudes toward English learning. Moreover, they were aware of the significance of knowing English. They used the same strategies, however, the way they acquired knowledge was different. In terms of differences, Accounting major students used two strategies (affective and memory) over English major students due to their positive attitudes and awareness of English significance. Though they were not in the English major, they tried to learn by themselves and thus used more strategies.

From the comparison of the strategy use between English and Engineering major students,
the strategies were similar. For the similarities, the two major students used two strategies (metacognitive and social). However, there was a difference in frequency of using these strategies. Obviously, English major students more frequently used social strategies than Engineering major students. This may be due to the effects of some factors such as the environment and classroom’s operation. The Engineering major students had fewer opportunities to study English compared to English majors. These students studied English as elective courses only. Furthermore, the classroom’s operation did not facilitate students to use social strategies. For example, they reported that their teachers mostly taught using the grammar-translation approach rather than communicative approach, so students rarely participated in classroom activities.

For the differences, English major students used cognitive and compensation strategies, but Engineering majors did not. English majors could guess meaning from the context even when not knowing some vocabulary, while Engineering majors used dictionaries instead of guessing meaning. Moreover, Engineering majors used memory strategies to memorize language patterns from language books and the Internet to directly write in their papers, while English major students did not. Because English majors had explored real social situations that enabled them to understand the nature of language, therefore they did not need to use memory strategies.

3. What factors affect the use of language learning strategies?

The factors that affect the amount of language learning strategies use are positive and negative attitudes toward learning English, teachers’ classroom operation, peer pressure, major, English important awareness, and learner’s own preferences. From data analysis, it was found that students’ attitudes have the most impact on students’ strategy use. The students with positive attitudes used more strategies than students with negative attitudes. The findings of the present study is similar to Cetingoz and Ozkal (2009) who found that successful students who had positive attitudes towards a Social Studies course used more learning strategies than unsuccessful students who had negative attitudes.

CONCLUSION

The strategies used by the students found in this study suggest important implications English learning development. The factors that determine strategy use are attitudes (positive and negative), English subjects in different majors (elective and compulsory courses), preferences (like and dislike), social demand (significance of English in the current world), teachers (classroom operation and relationship with students), and friend (peer-pressure). Furthermore, it is surprising that English major students are not the ones who use most strategies, rather it is the Accounting major students. Because of having positive attitudes, perceiving the significance of English, as well as having less opportunity to learn English in class, Accounting major students try hard to achieve English competence as they use all language learning strategies. Finally, attitude is an outstanding factor impacting on students’ use of strategies. As Engineering major students are the only ones with negative attitudes toward English learning, they use the least strategies.

The perspectives of the students in this study offer some interesting insights that broaden our understanding of students language learning strategies. However, this research must be followed by continued research into students’ learning nature and the way in which students use language learning strategies to improve English competence.
REFERENCES


DOES THE PHILIPPINE STOCK MARKET RESPOND TO DOMESTIC ECONOMIC FUNDAMENTALS AND REGIONAL EQUITIES MARKETS?: AN ARDL BOUND TESTING APPROACH

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ABSTRACT

This paper aims to study the impact of domestic macroeconomic factors, regional and advanced economies’ equity markets on the Philippine stock market behavior. Monthly data from January 2006 to December 2013 of four macroeconomic variables namely industrial production index, money supply, short term interest rate and exchange rate; four regional equity markets returns of Thailand, Singapore, Indonesia and Malaysia; and lastly, two advanced economies’ equity market returns of Hong Kong and the United States of America were used in the study. By applying the Autoregressive Distributed Lag (ARDL) method and vector error correction model (VECM), it showed co-integration between Philippine stock market and aforementioned factors which meant a long-run equilibrium relationship existed. In the Granger causality sense, money supply and the Singapore stock market affects the Philippine stock prices in the long-run as well in the short-run.

KEY WORDS: Autoregressive distributed lag method, macroeconomic factors, Southeast Asian stock markets, the Philippines

INTRODUCTION

Ever since its incorporation in 1992, the Philippine Stock Exchange (PSE) underwent huge transformation and performed well through the years as seen by its changes in its trading system to accommodate higher volume of trading, extended trading hours and its PSEi index’s growth in terms of price and liquidity. In the paper entitled “Philippine Stock Market in Perspective” by Crisostomo et. al (2013) of the PSE’s Head of Corporate Planning & Research Department, it stated that the Exchange’s good performance is also credited to the strength of local firms’ fundamentals that heightened interest in investing in Philippine equities. This increased amount of investment is of great importance to listed companies as it serves as their channel for capital accumulation and allows them to expand their business. (Sok-Gee, 2010) This business expansion also translates to positive economic developments in the country.

But unfortunately, stock investment does not come without any risk especially if done in emerging countries such as the Philippines. According to Engel and Rangel (2005), emerging markets are shown to have the higher levels of low frequency volatility on macroeconomic and financial variables that may result to a lower high frequency of stock market return volatility. Higher levels of volatility are caused by larger inflation rate and risks brought about the local market distortions and political instability. On top of these
domestic factors affecting the stock market, recent globalization would also tell you that it
had built a stage where news and developments around the world can create a massive
impact on stock markets around the globe.

Interestingly enough, the Philippine stock market indicates a different story in terms of its
movement with or against the globe. For example, when the PSEi’s progress from the
years 1992-2013 was patterned against the US index Dow Jones Industrial Average
(DJIA), it displayed opposite directions on different points in time before moving to a
similar trend which parallels each other as seen in Figure 1. (Crisostomo et. al, 2013) This
was a surprise pattern considering the Philippine economy’s dependence on the world’s
largest economy. It seems that the relationship of some domestic macroeconomic variables combined with
foreign factors could vary from market to market. Consequently, there is a call to study the
relationship in a country like the Philippines where papers done in the subject matter had
been written separately and not on the whole. For instance, Kabigtin and Hapitan (2013)
only focused on the ASEAN region equity market effect on the Philippines while Wu et. al
(2012) concentrated on the correlation between the PSEi and the USD exchange rate alone. On the other hand, Engel and Rangel (2005) had centered on domestic macroeconomic variables affecting the Philippine market.

Therefore, by taking into account the concern of the investors on the local stock market’s
performance along with adding to the literature of factors affecting the Philippine equities,
the objective of the paper is to determine the influence of domestic macroeconomic factors
(such as industrial production index, money supply, short term interest rate and exchange
rates), regional stock markets and advanced countries’ stock markets on the Philippine
stock market behavior.

In Section 2, we discuss the findings of related studies done in the Philippines and formal
theories regarding economics factors & stock market indices behavior. In Section 3, we
discuss our data and methodology. In Section 4, we report our analysis and conclude in
Section 5.

RELATED LITERATURE

The literature on macroeconomic factors and foreign stock indices effect on a local market
index is well-known. Formal financial theories had already started to analyze the effect of
various economic factors on asset pricing such as the Arbitrage Pricing Theory in studies
made by Chen et. al (1986) which used variables such as inflation, industrial production,
oil prices, risk premia and other stock indices. Another is by Sweeney and Warga (1986)
who studies that changes in interest rate are associated with risk premia. Basing it from
Fama (1977) who said fluctuations in the rate of inflation are fully reflected in interest
rates, stock prices are affected by money supply, interest rate, inflation, and other
economic factors. Price changes are also able to influence real economic activity and act
as channel of transferring money. (Al-Jafari, 2011)

In terms of regional financial contagion in the ASEAN region, Woo et al. (2000) stated
that during the Asian Currency Crisis, the hardest hit countries (Indonesia, Malaysia,
Thailand, Philippines and South Korea) were of the same geographical region. A similar
occurrence happened during the 2008 Financial Crisis as seen in the performance of
ASEAN indices in Figure 7 when a huge decline was seen. Therefore, there is much to be observed on how these countries would be impacting the Philippine Stock Exchange.

DATA AND METHODOLOGY

Data

The raw time series data are obtained from four sources namely the Bangko Sentral ng Pilipinas (BSP), Philippine Statistics Authority (PSA), Datastream and Yahoo Finance from the years 2006-2013 to cover pre-, during and post-Global Financial Crisis period. To represent the stock market of the various countries involved, their indices were used. Below are the following countries included in the study:

- Philippines (PSEi) as the interest variable,
- Thailand (SET) to represent a regional stock market effect
- Singapore (FSSTI) to represent a regional stock market effect
- Malaysia (KLCI) to represent a regional stock market effect
- Indonesia (JCI) to represent a regional stock market effect
- Hong Kong (HS) to represent an advanced country/economy market effect
- United States of America represented by the Standard and Poor’s 500 (SP) as an advanced country market effect with a ticker symbol ^GSPC. The reason that the DJIA and NASDAQ Composite were not chosen to represent the American Stock Exchange is because of how the indices are composed. The DJIA is a price-weighted index comprising only 30 North American stocks so representation is limited. Now, while the NASDAQ Composite is capitalization-weighted as an index, it only includes stocks that are traded on the market since the NASDAQ Composite is the NASDAQ itself plus majority of the companies listed are technology-based in terms of industry classification so representation is again limited.

The monthly return series is generated from the following equation:

\[ R_t = (100) \times (\ln(P_t) - \ln(P_{t-1})) (1) \]

where \( \ln \) is the natural logarithm operator; \( t \) represents time in weeks; \( R_t \) is the return for period \( t \); \( P_t \) is the index closing price for period \( t \). Each return series is therefore expressed as a percentage. Modeling an index in this manner is typical in the literature (Nelson, 1991).

On the other hand, I used four macroeconomic variables to explain the domestic factors affecting the Philippine stock market namely

- industrial production index (IP) to proxy real output. Data were from the Value of Production Index from the PSA whose index series were rebased as 2000=100.
- money supply (M2) to proxy broad money supply. Data were from the BSP’s Monthly Integrated Survey of Selected Industries (MISSI). It included only currency outside depository corporations, transferable deposits and savings and time deposits as these components are deemed to be the most liquid and not counted as broad money liabilities.
exchange rate (ER). Data used was the peso versus dollar exchange rate from the BSP.

short run interest rate (IR) proxied by the 91-days treasury bills to proxy risk-free interest rate. Data were from the BSP.

In the aforementioned chapter, these variables are extensively used in the previous literature to capture the macroeconomic and foreign equity markets activities. Lastly, using the over-all monthly data ranging from January 2006 to December 2013 comprised 95 observations for the analysis. Descriptions of variables and data sources are presented in Table 1.
Table 1.

<table>
<thead>
<tr>
<th>Sign</th>
<th>Factor</th>
<th>Construction of Variables</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSEI</td>
<td>-</td>
<td>Natural logarithm of the index of market value weighted average of the month-end closing prices listed in the Philippine Stock Exchange</td>
<td>BSP</td>
</tr>
<tr>
<td>IP</td>
<td>Domestic</td>
<td>Natural logarithm of the month-end Index of Industrial Production</td>
<td>PSA</td>
</tr>
<tr>
<td>M2</td>
<td>Domestic</td>
<td>Natural logarithm of month-end broad money supply.</td>
<td>BSP</td>
</tr>
<tr>
<td>ER</td>
<td>Domestic</td>
<td>Natural logarithm of the exchange rate (monthly average) of the Philippine Peso per US Dollar</td>
<td>BSP</td>
</tr>
<tr>
<td>IR</td>
<td>Domestic</td>
<td>Monthly average of the 91-day Government of Philippine treasury bills</td>
<td>BSP</td>
</tr>
<tr>
<td>SET</td>
<td>Regional (Thailand)</td>
<td>Natural logarithm of the index of market value weighted average of the month-end closing prices listed in the Stock Exchange of Thailand</td>
<td>Datastream</td>
</tr>
<tr>
<td>FSSTI</td>
<td>Regional (Singapore)</td>
<td>Natural logarithm of the index of float weighted average of the month-end closing prices listed in the Singapore Straits Times Index</td>
<td>Datastream</td>
</tr>
<tr>
<td>KLCI</td>
<td>Regional (Malaysia)</td>
<td>Natural logarithm of the index of market value weighted average of the month-end closing prices listed in the Kuala Lumpur Composite Index</td>
<td>Datastream</td>
</tr>
<tr>
<td>JCI</td>
<td>Regional (Indonesia)</td>
<td>Natural logarithm of the index of market value weighted average of the month-end closing prices listed in the Jakarta Stock Exchange Composite Index</td>
<td>Datastream</td>
</tr>
<tr>
<td>HS</td>
<td>Foreign (Hong Kong)</td>
<td>Natural logarithm of the index of market value weighted average of the month-end closing prices listed in the Hang Seng Index</td>
<td>Datastream</td>
</tr>
<tr>
<td>SP</td>
<td>Foreign (US)</td>
<td>Natural logarithm of the index of float weighted average of the month-end closing prices listed in the Standard &amp; Poor's 500</td>
<td>Yahoo Finance</td>
</tr>
</tbody>
</table>
Econometric Methodology

Unit Root Tests

As this paper uses time series data to study the effect of domestic macroeconomic fundamentals, regional and international equities market on the local stock market index, ordinary least squares method might be not useful as it may result to a spurious regression if the data series are non-stationary in nature. To be able to determine stationarity among the variables, a unit root test would done to indicate if a variable has a unit root (non-stationary) or not (stationary). The three unit root tests applied in the study are the Augmented Dickey Fuller (ADF), Phillips-Perron (PP), and the Kwiatkowski-Phillips-Schmidt-Shin (KPSS) to check stationarity of the variables.

Autoregressive Distributed Lag (ARDL) Method

After conducting the unit root tests, if all of the variables have the same unit root or level of integration then identifying the co-integration between data series would be possible using the Johansen (1990) method. Unfortunately, for this paper, due to the numerous data series studied, it resulted to varying levels of integration. Thus, the Johansen method would be not be utilized but rather the Autoregressive Distributed Lag (ARDL) method.

Autoregressive Distributed Lag (ARDL) method was developed by Pesaran and Shin (1997, 1999), Pesaran et al. (1996) and Pesaran et al. (2001) for the co-integration test. One advantage of using this method is that it is able to test a long-run relationship among variables that are different in their level of integration. Moreover, the ARDL method is known for its simplicity as it applies a single reduced form equation instead of a system of equations. Based on Pesaran (1997), the ARDL \((p,q)\) representation for unrestricted intercept and no trend model can be represented by the following equation:

\[
y_t = \alpha_0 + \sum_{i=1}^{p} \varphi_i y_{t-i} + \beta' X_{t-1} + \sum_{j=0}^{q} \beta^*_t \Delta X_{t-j} + \varepsilon_t \tag{2}
\]

where \(X_t\) is a k-dimensional vector and \(\varepsilon_t\) is a disturbance term with zero mean and \(p\) and \(q\) are the lag lengths of \(y_t\) and \(X_t\), respectively. The co-integration relation will be examined by the statistical significance of the estimated coefficients in the k-dimensional vector \(\beta'\).

Similar to Purnomo and Rider (n.d.) which also analyzed the long run relationship between macroeconomic fundamentals and stock market behavior using the same approach, this study’s model which includes the data series stated in Table 1 and utilizing the ARDL method would be the following equation
To test the relationship for its significance, Pesaran et al. (2001) had tabulated sets of appropriate critical values because the ARDL method has non-standard limiting distributions. These critical values are used for the case that variables might be stationary in level term or in first difference thus the generated F-statistic will be examined against an upper and lower bound. If the F-Statistic lies above the upper level, the null hypothesis is rejected (while if it is below the lower bound, we cannot reject the null of no co-integration. In the case of F-Statistic lies in between the lower and upper value, an inconclusive result of the co-integration test is taken. In order to select the appropriate lag length, after setting a maximum number of 8 lags then the appropriate lag would be determined by the Akaike Information Criteria (AIC) and the Swartz Bayesian Criterion (SBC) and Hannan-Quinn information criterion (HQ).

If there is evidence of co-integration, we specify the long-run model as follows:

$$\Delta \ln(PSEI)_{t} = \alpha_{0} + \sum_{i=1}^{p} \beta_{i} \Delta \ln(PSEI)_{t-i} + \sum_{i=0}^{q} \gamma_{i} \Delta \ln(IP)_{t-i} + \sum_{i=0}^{q} \zeta_{i} \Delta \ln(M2)_{t-i}$$

$$+ \sum_{i=0}^{q} \eta_{i} \Delta \ln(ER)_{t-i} + \sum_{i=0}^{q} \theta_{i} \Delta \ln(IR)_{t-i} + \sum_{i=0}^{q} \vartheta_{i} \Delta \ln(SET)_{t-i}$$

$$+ \sum_{i=0}^{q} \kappa_{i} \Delta \ln(FSSSTI)_{t-i} + \sum_{i=0}^{q} \lambda_{i} \Delta \ln(KLCI)_{t-i} + \sum_{i=0}^{q} \nu_{i} \Delta \ln(JCI)_{t-i}$$

$$+ \sum_{i=0}^{q} \omega_{i} \Delta \ln(HS)_{t-i} + \sum_{i=0}^{q} \phi_{i} \Delta \ln(SP)_{t-i} + \delta_{1} \ln(PSEI)_{t-1}$$

$$+ \delta_{2} \ln(IP)_{t-1} + \delta_{3} \ln(M2)_{t-1} + \delta_{4} \ln(ER)_{t-1} + \delta_{5} \ln(IR)_{t-1}$$

$$+ \delta_{6} \ln(SET)_{t-1} + \delta_{7} \ln(FSSSTI)_{t-1} + \delta_{8} \ln(KLCI)_{t-1} + \delta_{9} \ln(JCI)_{t-1}$$

$$+ \delta_{10} \ln(HS)_{t-1} + \delta_{11} \ln(SP)_{t-1} + \varepsilon_{t} \ (3)$$

The lag length is again selected based on AIC, SBC and HQ criteria. The long-run relation is predicted using OLS. Furthermore, the existence of co-integration implies that causality exist in at least one direction. Granger (1969) causality test have been extensively used in financial research to describe if one variable precedes other variable. While co-integration is concerned with long run equilibrium between variables, Granger causality is concerned with short-run forecastability (Maddala and Kim, 1998).
Autoregressive Distributed Lag (ARDL) method and Granger Causality

The ARDL specification in the short-run dynamics which included the Granger causality test would then be done by constructing a model that contains an error correction term (ECT). The model with error correction term takes the following form:

\[
\Delta \ln(PSEI)_t = \alpha_0 + \sum_{i=1}^{p} \beta_i \Delta \ln(PSEI)_{t-i} + \sum_{i=0}^{q} \gamma_i \Delta \ln(IP)_{t-i} + \sum_{i=0}^{q} \xi_i \Delta \ln(M2)_{t-i} \\
+ \sum_{i=0}^{q} \eta_i \Delta \ln(ER)_{t-i} + \sum_{i=0}^{q} \theta_i \Delta (IR)_{t-i} + \sum_{i=0}^{q} \delta_i \Delta \ln(SET)_{t-i} \\
+ \sum_{i=0}^{q} \kappa_i \Delta \ln(FSSTI)_{t-i} + \sum_{i=0}^{q} \lambda_i \Delta \ln(KLCI)_{t-i} + \sum_{i=0}^{q} \nu_i \Delta \ln(JCI)_{t-i} \\
+ \sum_{i=0}^{q} \sigma_i \Delta \ln(HS)_{t-i} + \sum_{i=0}^{q} \xi_i \Delta \ln(SP)_{t-i} + \psi \text{ECT}_{t-1} + \varepsilon_i \tag{5}
\]

Where variable ECT is the error correction term is defined as:

\[
\text{ECT}_t = \ln(PSEI)_t - \alpha_0 + \sum_{i=1}^{p} \beta_i \ln(PSEI)_{t-i} + \sum_{i=0}^{q} \gamma_i \ln(IP)_{t-i} \\
+ \sum_{i=1}^{q} \xi_i \ln(M2)_{t-i} + \sum_{i=0}^{q} \eta_i \ln(ER)_{t-i} + \sum_{i=0}^{q} \theta_i \ln(IR)_{t-i} \\
+ \sum_{i=0}^{q} \delta_i \ln(SET)_{t-i} + \sum_{i=0}^{q} \kappa_i \ln(FSSTI)_{t-i} + \sum_{i=0}^{q} \lambda_i \ln(KLCI)_{t-i} \\
+ \sum_{i=0}^{q} \nu_i \ln(JCI)_{t-i} + \sum_{i=0}^{q} \sigma_i \ln(HS)_{t-i} + \sum_{i=0}^{q} \xi_i \ln(SP)_{t-i} \tag{6}
\]

Coefficients in the short-run equations are related to the short-run model’s movement back to equilibrium. \( \psi \) represents the speed of adjustment back to its long-run relationship from the temporary short-run breakage. To further graphically show the response of the local stock market to domestic economic fundamental, regional and advanced economies’ equities markets innovations, the Impulse Response Function (IRF) graph would then trace the Philippine equities market’s direction, magnitude and persistence behavior to these aforementioned innovations as been also done in Purnomo and Rider (n.d.).

RESULTS AND ANALYSIS

Table 2 depicts the results of the normality test and the descriptive statistics for all the variables used in the study namely HS (Hong Kong’s Hang Seng Index), JCI (Indonesia’s Jakarta Composite Index), IP (Philippine Industrial Production Index), M2 (Philippine Money Supply), KLCI (Malaysia’s Kuala Lumpur Composite Index), IR (Philippine Interest Rate), PSEI (Philippine Stock Exchange Index), FSSTI (Singapore’s Straits Times Index), SP (USA’s Standard and Poor’s 500 Index), SET (Thailand’s Stock Exchange of Thailand Index) and ER (Philippine Exchange Rate versus US dollar). Under assumptions of normality, skewness and kurtosis have asymptotic distributions of N(0) and N(3) respectively (Xu, 1999). Across all the data series, all their distributions differ
significantly from a normal distribution. For the stock indices, almost all except for Thailand’s indicated negative skewness which indicates that the index declines occur more often than it increases. The monthly stock indices’ return series being negatively skewed implies that the distribution is not symmetric. As for kurtosis, across all stock indices again, their coefficients were positive and more than 3, having a relatively high value for the stock indices’ return series this points out, that the distribution of returns is leptokurtic.

Moreover, across all variables that are not in logarithm except for IR and ER, it is observed that the frequency distributions of the variables are not normal as proven by the significant coefficient of Jarque-Bera statistics also indicates that the frequency distributions of considered series are not normal. Lastly, Table 3 presents the correlation matrix of the data series among each other but emphasis must be given to lnPSEI which is the correlation of all variables with the Philippine Stock Exchange Index which is in bold.
Table 2.

**Descriptive Statistics**

<table>
<thead>
<tr>
<th></th>
<th>lnHS</th>
<th>lnJCI</th>
<th>lnIP</th>
<th>lnM2</th>
<th>lnKLCI</th>
<th>IR</th>
<th>lnPSEI</th>
<th>lnFSSTI</th>
<th>lnSP</th>
<th>lnSET</th>
<th>lnER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.0041</td>
<td>0.01309</td>
<td>0.00394</td>
<td>0.01113</td>
<td>0.00751</td>
<td>2.99692</td>
<td>0.01063</td>
<td>0.00314</td>
<td>0.00386</td>
<td>0.005604</td>
<td>-0.0018</td>
</tr>
<tr>
<td>Median</td>
<td>0.0150</td>
<td>0.02602</td>
<td>0.01425</td>
<td>0.01019</td>
<td>0.01217</td>
<td>3.673</td>
<td>0.02653</td>
<td>0.01159</td>
<td>0.01211</td>
<td>0.020769</td>
<td>-0.0017</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.1576</td>
<td>0.18341</td>
<td>0.13993</td>
<td>0.09848</td>
<td>0.12703</td>
<td>6.5</td>
<td>0.13949</td>
<td>0.19300</td>
<td>0.10230</td>
<td>0.13082</td>
<td>0.03965</td>
</tr>
<tr>
<td>Minimum</td>
<td>-0.254</td>
<td>-0.3771</td>
<td>-0.39691</td>
<td>-0.0846</td>
<td>-0.1651</td>
<td>0</td>
<td>-0.2753</td>
<td>-0.27364</td>
<td>-0.1856</td>
<td>0.359188</td>
<td>-0.0387</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.0688</td>
<td>0.07189</td>
<td>0.06970</td>
<td>0.02829</td>
<td>0.04013</td>
<td>1.81819</td>
<td>0.06152</td>
<td>0.06043</td>
<td>0.04711</td>
<td>0.069261</td>
<td>0.01531</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.759</td>
<td>-1.73974</td>
<td>-2.34522</td>
<td>-0.2996</td>
<td>-0.7953</td>
<td>-0.1808</td>
<td>-1.1721</td>
<td>-1.0157</td>
<td>-1.0212</td>
<td>1.728503</td>
<td>0.26831</td>
</tr>
<tr>
<td>Probability</td>
<td>0.019³</td>
<td>0</td>
<td>0</td>
<td>0.00708</td>
<td>0</td>
<td>0.07348</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.55875</td>
<td></td>
</tr>
</tbody>
</table>
| Obs.    | 95    | 95    | 95    | 95    | 95    | 95    | 95    | 95    | 95    | 95    | 95
Table 3.

**Correlation Matrix**

<table>
<thead>
<tr>
<th></th>
<th>lnHS</th>
<th>lnJCI</th>
<th>lnIP</th>
<th>lnM2</th>
<th>lnKLCI</th>
<th>IR</th>
<th>lnPSEI</th>
<th>lnFSSTI</th>
<th>lnSP</th>
<th>lnSET</th>
<th>lnER</th>
</tr>
</thead>
<tbody>
<tr>
<td>lnHS</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>lnJCI</td>
<td>0.6882</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>lnIP</td>
<td>0.1699</td>
<td>0.09525</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>lnM2</td>
<td>0.0084</td>
<td>-0.00536</td>
<td>0.40936</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>lnKLCI</td>
<td>0.6510</td>
<td>0.73271</td>
<td>0.05612</td>
<td>0.14773</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IR</td>
<td>-0.0189</td>
<td>0.01934</td>
<td>-0.03099</td>
<td>-0.06642</td>
<td>-0.05956</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>lnPSEI</td>
<td>0.6162</td>
<td>0.70406</td>
<td>0.14475</td>
<td>0.01345</td>
<td>0.60616</td>
<td>-0.00327</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>lnFSSTI</td>
<td>0.8569</td>
<td>0.79549</td>
<td>0.12957</td>
<td>0.01520</td>
<td>0.72931</td>
<td>-0.03760</td>
<td>0.70177</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>lnSP</td>
<td>0.7300</td>
<td>0.66073</td>
<td>0.20510</td>
<td>0.04698</td>
<td>0.58610</td>
<td>-0.21427</td>
<td>0.61098</td>
<td>0.78195</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>lnSET</td>
<td>0.7019</td>
<td>0.79865</td>
<td>0.12188</td>
<td>-0.01366</td>
<td>0.62025</td>
<td>-0.09649</td>
<td>0.62014</td>
<td>0.73970</td>
<td>0.62208</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>lnER</td>
<td>-0.2997</td>
<td>-0.45782</td>
<td>0.14139</td>
<td>0.13514</td>
<td>-0.38151</td>
<td>-0.05756</td>
<td>-0.35079</td>
<td>-0.31855</td>
<td>-0.23275</td>
<td>-0.43517</td>
<td>1</td>
</tr>
</tbody>
</table>
Table 4 shows the unit root test results taken with the ADF test and complemented by the PP test since the ADF test is criticized for low power. A third test was also carried out using the KPSS test. Based on the three tests, all the series data are found to be stationary at level with intercept except for the IR variable which had to be first differenced. However, after taking the first difference of the IR data series, it is found to be stationary. With these mix results in terms of the order of integration, the Johansen method of co-integration would not be possible so the ARDL method would have to be utilized instead.
Table 4.

Unit Root Test for Stationary

<table>
<thead>
<tr>
<th>Variables</th>
<th>ADF Test</th>
<th>PP Test</th>
<th>KPSS Test</th>
<th>Order of Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(H_0): Variable is non-stationary</td>
<td>(H_0): Variable is non-stationary</td>
<td>(H_0): Variable is stationary</td>
<td></td>
</tr>
<tr>
<td>Domestic Macroeconomic Variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>lnPSEI</td>
<td>-8.883607***</td>
<td>-9.028804***</td>
<td>0.079185***</td>
<td>I(0)</td>
</tr>
<tr>
<td>lnIP</td>
<td>-2.772943*</td>
<td>-10.90952***</td>
<td>0.060168***</td>
<td>I(0)</td>
</tr>
<tr>
<td>lnM2</td>
<td>-0.925135</td>
<td>-11.14086***</td>
<td>0.218691***</td>
<td>I(0)</td>
</tr>
<tr>
<td>lnER</td>
<td>-6.190315***</td>
<td>-6.079386***</td>
<td>0.169662***</td>
<td>I(0)</td>
</tr>
<tr>
<td>IR</td>
<td>-1.47593</td>
<td>-1.196004</td>
<td>1.038772</td>
<td></td>
</tr>
<tr>
<td>(\Delta)IR</td>
<td>-4.97072***</td>
<td>-8.268103***</td>
<td>0.05035***</td>
<td>I(1)</td>
</tr>
<tr>
<td>Regional Equity Markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>lnSET</td>
<td>-4.017382***</td>
<td>-7.688414***</td>
<td>0.114455***</td>
<td>I(0)</td>
</tr>
<tr>
<td>lnFSSTI</td>
<td>-7.640444***</td>
<td>-7.655392***</td>
<td>0.055034***</td>
<td>I(0)</td>
</tr>
<tr>
<td>lnKLCI</td>
<td>-5.020436***</td>
<td>-8.192805***</td>
<td>0.060766***</td>
<td>I(0)</td>
</tr>
<tr>
<td>lnJCI</td>
<td>-4.20251***</td>
<td>-7.31855***</td>
<td>0.080101***</td>
<td>I(0)</td>
</tr>
<tr>
<td>Advanced Economy Equity Markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>lnHS</td>
<td>-8.456111***</td>
<td>-8.527411***</td>
<td>0.054413***</td>
<td>I(0)</td>
</tr>
<tr>
<td>lnSP</td>
<td>-3.93497***</td>
<td>-7.451272***</td>
<td>0.208553***</td>
<td>I(0)</td>
</tr>
</tbody>
</table>

Notes. *** implies significant at 1% level, * implies significant at 10% level. \(\Delta\) represents first difference.
Before estimating the ARDL model found in Eq.4, there was a need to estimate the unrestricted error correction model. Despite the AIC, BIC and HQ is showing zero lags to be used, running the Breusch-Godfrey Serial Correlation LM Test on the data series showed serial correlation. Thus, there was a need to add lags on the variables and upon re-checking, no serial correlation is evident on newly-lagged series.

As serial correlation is now not found in the data series, the estimation of the ARDL model could be done through the generation of the Wald test as reported in Table 5. It is the Wald test which would determine if there is co-integration in the relationship between the local stock market and the other aforementioned data series. The test gave an F-Statistic of 6.907 which is higher compared to both lower and upper bound of the critical values found in Pesaran (2001)’s Case III where \((k + 1) = \) the number of variables.

This implied the rejection of null hypothesis of no co-integration, thus a long-run relationship was manifested in the model stated in Eq. 4. Since the bounds test detected the presence of long run relationship amongst the variables, error correction model should now be done to examine the causality between the variables and to know the speed of adjustment to restore equilibrium after the temporary disturbance.

Table 5.

<table>
<thead>
<tr>
<th>Test Statistics</th>
<th>Max Lag</th>
<th>Significance level</th>
<th>Bound Critical Values</th>
<th>Unrestricted Intercept and No Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.907388</td>
<td>8</td>
<td>1%</td>
<td>I(0)</td>
<td>2.54</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5%</td>
<td>I(1)</td>
<td>3.86</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10%</td>
<td></td>
<td>2.06</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.24</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.83</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2.94</td>
</tr>
</tbody>
</table>


But before the model would determine the time of adjustment, it is also interesting to note if there is any short-run causality between the domestic economic fundamentals, regional and advanced countries’ equity markets and the Philippine Stock Exchange Index. By employing Vector Error Correction Granger Causality to test any relationship, Table 6 revealed exchange rate (ER), money supply (M2) are among domestic macroeconomic variables which showed evidence of Granger causality to Philippine equities while among regional equity markets, only the Indonesian and Singaporean stock indices showed any Granger causality to the local stock market. Based on the correlation matrix between these two variables, an increased (or decreased) level in money supply may result to an increased (or decreased) growth in stock market prices. As for the exchange rate, an increased (or decreased) in the exchange rates can decreased (or increased) in the returns of the local stock market. Lastly, for regional equities markets, only the Singaporean and Indonesian stock indices which showed a direct relationship with the Philippine stock index. Unfortunately, for advanced equity markets, they don’t Granger cause the local market. Also, no relationship was analysed on how the PSEi would Granger cause any of the variables in that direction as this is not part of the scope of the study.
Table 6.

**Result of Granger Causality Test**

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable: Philippine Stock Exchange Index</th>
<th>Chi-Squared ($H_0$: No Short Run Causality)</th>
<th>Granger Cause</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Domestic Macroeconomic Variables</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IP</td>
<td></td>
<td>0.046104</td>
<td>Not Evident</td>
</tr>
<tr>
<td>M2</td>
<td></td>
<td>5.165201*</td>
<td>Evident</td>
</tr>
<tr>
<td>ER</td>
<td></td>
<td>7.670933**</td>
<td>Evident</td>
</tr>
<tr>
<td>IR</td>
<td></td>
<td>2.477238</td>
<td>Not Evident</td>
</tr>
<tr>
<td><strong>Regional Equity Markets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SET</td>
<td></td>
<td>2.513392</td>
<td>Not Evident</td>
</tr>
<tr>
<td>FSSTI</td>
<td></td>
<td>5.75637*</td>
<td>Evident</td>
</tr>
<tr>
<td>KLCI</td>
<td></td>
<td>3.109977</td>
<td>Not Evident</td>
</tr>
<tr>
<td>JCI</td>
<td></td>
<td>8.499093**</td>
<td>Evident</td>
</tr>
<tr>
<td><strong>Advanced Economy Equity Markets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HS</td>
<td></td>
<td>1.065859</td>
<td>Not Evident</td>
</tr>
<tr>
<td>SP</td>
<td></td>
<td>1.430451</td>
<td>Not Evident</td>
</tr>
</tbody>
</table>

*Notes.* ** implies significant at 5% level, * implies significant at 10% level.
Upon estimating the error corrected ARDL model, it resulted to a negative lagged error correction term (ECT) which would represent the speed of adjustment to move back towards equilibrium. As the ECT gave a -.5947 coefficient that is statistically significant at the 1% level, it could be interpreted as about 59.5% of disequilibrium “corrected” each month by changes in PSEi. It is to be noted that only money supply and three regional markets namely Singaporean, Indonesian and Malaysian markets are significant factors. Looking closely, money supply and the Singaporean are positively and statistically significantly related with Philippine stock market while the Indonesian and Malaysian stock market are statistically significantly with Philippine stock market. Moreover, stability of the error corrected ARDL model was also checked through the CUSUM and CUSUMSQ stability tests. As seen in Figures 1 and 2, they revealed the residuals of the ARDL model are stable and are within the 5% significance level line which indicates that the model are not suffering from any significant misspecification problems.
Table 7.

### Result of Error Correction Model

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable: Philippine Stock Exchange Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>----------------------------------------</td>
<td>-----------------------------------------------------</td>
</tr>
<tr>
<td><strong>Domestic Macroeconomic Variables</strong></td>
<td></td>
</tr>
<tr>
<td>IP</td>
<td>Coefficient: -0.01999, T-Statistics: -0.20464</td>
</tr>
<tr>
<td>M2</td>
<td>Coefficient: 0.973267**, T-Statistics: 2.20654</td>
</tr>
<tr>
<td>ER</td>
<td>Coefficient: -1.907748, T-Statistics: -2.23691</td>
</tr>
<tr>
<td>IR</td>
<td>Coefficient: 0.571934, T-Statistics: 0.36873</td>
</tr>
<tr>
<td><strong>Regional Equity Markets</strong></td>
<td></td>
</tr>
<tr>
<td>SET</td>
<td>Coefficient: -0.058315, T-Statistics: -0.35416</td>
</tr>
<tr>
<td>FSSTI</td>
<td>Coefficient: 0.829256**, T-Statistics: 2.08180</td>
</tr>
<tr>
<td>KLCI</td>
<td>Coefficient: -0.458217*, T-Statistics: -1.66213</td>
</tr>
<tr>
<td>JCI</td>
<td>Coefficient: -0.826655***, T-Statistics: -2.89534</td>
</tr>
<tr>
<td><strong>Advanced Economy Equity Markets</strong></td>
<td></td>
</tr>
<tr>
<td>HS</td>
<td>Coefficient: -0.143126, T-Statistics: -0.67732</td>
</tr>
<tr>
<td>SP</td>
<td>Coefficient: 0.004437, T-Statistics: 0.02293</td>
</tr>
<tr>
<td><strong>ECT Coef.</strong></td>
<td>Coefficient: -0.594706***, T-Statistics: -2.95256</td>
</tr>
</tbody>
</table>

**Notes.** *** implies significant at 1% level, ** implies significant at 5% level, * implies significant at 10% level. Significance levels based on T-Distribution.
In the impulse response function graphs, these figures would support the analysis of the long-run relationship among variables in the ARDL analysis. They show how PSEi behaves when there are shocks taking places in domestic macroeconomic variables (see Figure 3), regional equities market (see Figure 4) and advanced countries’ equity markets (Figure 5). Moreover, they are able to graphically indicate how long and how big the effects are the shocks are affecting the PSEi returns. Based on the generated figures, what are noticeable figures from coming from how money supply, interest rate and the Singaporean equity markets create a large negative response from the PSEi. For money supply and interest rate, it will tell you that a negative shock in the 2nd month almost took another month to bring equilibrium back. Similarly, the Singaporean equity market tells a same story but its reversion back to equilibrium after a 1 month of negative shocks will take as long as 1.5 months. These findings could have further examination on the relationship between the two countries.

Figure 1. Cumulative Sum of Recursive Residuals (CUSUM) Graph
Figure 2. Cumulative Sum of Squares Recursive Residuals (CUSUMSQ) Graph

![CUSUMSQ Graph]

Figure 3. Impulse Response of the Philippine Stock Exchange to Domestic Economic Fundamentals Specifically to

<table>
<thead>
<tr>
<th>M2</th>
<th>Interest Rate</th>
<th>Industrial Prod. Index</th>
<th>Exchange Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="chart1" alt="M2 Response" /></td>
<td><img src="chart2" alt="Interest Rate Response" /></td>
<td><img src="chart3" alt="Industrial Prod. Index Response" /></td>
<td><img src="chart4" alt="Exchange Rate Response" /></td>
</tr>
</tbody>
</table>
**Figure 4.** Impulse Response of the Philippine Stock Exchange to Regional Equities Markets Specifically

**Figure 5.** Impulse Response of the Philippine Stock Exchange to Advanced Countries’ Equities Markets Specifically to

**Hong Kong**  
**US**

**CONCLUSION**

This paper investigates the long run relationship between the Philippine stock market by using several domestic macroeconomic variables and foreign stock market indices from 2006 to 2013.

The use of Autoregressive Distributed Lag (ARDL) method to analysis the co-integration relationship was to incorporate the different level of integration amongst the variables. It resulted to finding evidence of co-integration in the selected variables through the Wald Test. Our Granger causality test results revealed that the money supply and the Singaporean stock market is evident to the Philippine stock market which had similar results in the VECM models.

These findings would be helpful to policymakers who are into monetary policy especially with the statistical results in the long and short-run on how money supply is affecting the stock market. In terms of trade, despite the US and China being the Philippine largest trader, trade with Singapore should be taken into more weight as its equity market is affecting the local equity market as well.
REFERENCES


APPENDIX

Figure 1. US and Philippine Stock Market Movement


Figure 2. Indonesian, Malaysian, Philippine, Singaporean and Thai Stock Market Movement

Source. ASEAN-indicated countries’ stock indices.
DIGITAL DIVIDE IN ASEAN: ANALYZING REGIONAL INTEGRATION THROUGH INFORMATION AND COMMUNICATION TECHNOLOGIES DEVELOPMENT

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ABSTRACT

In the globalization age, information and communication technologies (ICTs) development can be measured as the fundamental factor of regional integration such as ASEAN Community. However, the issue of digital divide has become a new threat to the ICTs development and overall regional connectivity. This paper questions the issue of digital divide between ASEAN member states and its effect to their integration level in ASEAN Community. By using the concept of regional integration, digital divide, and the information society as conceptual frameworks; this paper argues that the level of digital divide in ASEAN does affect the implementation of ASEAN Community. ASEAN member states with less developed ICTs will find itself harder to keeping up with the flow of information from other member states, thus making them less open to the integration process. The authors will explain the condition by showing the fact that not all ASEAN countries are well fully integrated even though ASEAN Community has been implemented since early 2016.

KEY WORDS: ASEAN, digital divide, regional integration

UNDERSTANDING THE DIGITAL DIVIDE

The benefits of information technology can be attributed to economic growth and development; and access to information technology can also be generalized from the individual to the State. Consequently, not all countries can access information technology and benefit from it equally and evenly. This gave rise to the existence of a gap between countries that are able to access the technology well and which are not. This gap is called the digital divide. OECD (2001) defines the digital divide or the digital divide as the gap between individuals, households, businesses and geographic areas at different socio-economic levels in terms of the opportunity of enjoying an advantage through access to information and communication technology, as well as the use of the internet for a wide range of activities.

Parayil (2005:41) stated that digital divide is a phenomenon of gaps in the capabilities and capacities of the ICTs that is highly related to the socio-economic imbalances. Further,
Parayil (2005) suggests the GDP as one of the real shape of the digital divide. The gap of technology can eventually have an impact on the crisis. Friedman (2000) gives examples of the 1998 Asian crisis, which is caused by the fast currents of the free global market motion connected in time and across borders through internet technology. The global marketplace is described as an electronic herd with stocks, bonds, currencies, traders, and multinational investors connected by a network of internet which can be accessed at any time (Friedman, 2000). To be able to grow and develop, the country must be entered in the herd this unless it is able to learn and adapt to benefit from outside of the herd. This proves that the mastery of the technology largely rests with the developed countries provide significant growth to the country. Friedman (2000) added that the electronic herd can give you an advantage if managed correctly but will be dangerous and could cause a crisis if it is not managed optimally.

Dijk (2000) suggests that the root cause of the digital divide is due to the exclusivity of the socioeconomic structure. Gelder (2006) proposed solutions to maximize the development and reducing inequalities through aid, which is applicable only when the source of the problem is found in the amount of ownership of and access to information technology. This can be seen from the increase in the number of units of a computer and internet access does not necessarily improve the ability to access information from the internet. Special training is required in order for communities to use internet and acquire the necessary information so that it can improve the well-being of the information management (Dijk, 2000).

Other solutions were proposed for overcoming the gaps and creates new information world order is through the giving of investment (Friedman, 2000). Countries with a shot of a fairly large multinational investment can do jumps and obtained international standard technology transfer for her country. This investment is worthwhile to acquire technology and the turnaround of the economy which is driven by multinational companies so that it can increase the revenue of the State. In accordance with the expressed Parayil (2005), countries with high GDP levels will have access to information technology in more again.

The exposure of the experts regarding the digital divide gives insight to the author, that the mastery of technology and the improvement of the economy is a chain that cannot be separated. In short, a country that develops its ICTs will also develop its economy in a consequential sequence. From here the author feel pessimistic in the presence of poor countries or developing the still limited in access to information technology. Both Gelder (2006) and Friedman (2000) concerns regarding the aid and investment, poor and developing countries may indeed require both of these things. But not thus forever rely on the help of other countries, but poor countries and developed then have to strive mightily to manage the technologies that have been transferred from developed countries in order to improve national welfare. In general, the new information world order is indeed necessary for the sake of reducing the digital divide that is happening in the current international constellation.

DIGITAL DIVIDE IN ASEAN

Throughout the years, digital divide has been an underlying issues, as well as problem, among ASEAN members. One of the main characteristic in digital divide is the gap in the means of information and communication technologies or ICTs. From the aspect of main telecommunication services of fixed telephone line, mobile phone and Internet among
ASEAN countries, the distribution of the fixed telephone, mobile phone and Internet users is considered uneven. According to Srinuan et. al (2014), the leading country in all services is Singapore. Apart from Singapore, there are advanced countries in some specific services which also have a higher rate than the world average, for example Vietnam (32.65%) and Brunei (20.99%) in fixed telephone lines, and Thailand (123.77%), Malaysia (87.86%), Brunei (78.92%) and Philippines (58.88%) in mobile service. Moreover, Singapore, Malaysia, and Brunei also have a higher rate for Internet users than other countries among ASEAN countries and the world average. In contrast, Myanmar, Cambodia and Lao PDR (Laos) have the lowest penetration rate compared to other ASEAN countries.

According to the Figure 1 above, it can be seen how a gap is evident in terms of telephone lines service in each ASEAN member states. While averagely telephone lines service per 100 inhabitants in all ASEAN member states is 59%, Singapore hold around 82% of the total telephone line service, followed by Thailand, Malaysia, Brunei Darussalam, and Philippines. On the other hand Myanmar, Laos, and Cambodia, Vietnam, Indonesia is recorded as countries with fixed telephone line less than the ASEAN average number. This means that more than half of the total fixed telephone lines in ASEAN member states are owned by the former five countries.

Identification of ICTs development can also be sought through the percentage of internet penetration in each ASEAN member states. Internet penetration is defined by United Nations Development Programme Human Development Report (2010) as the total percentage of Internet users in the entire population of a country or in the other hand it is defined as the total number of Internet users in a country as well as the percentage of the population that has Internet access. The comparison of internet penetration rate from 2009 to 2014 between ASEAN member states are summarized in figure 2:
Figure 2: Internet Penetration Rate of ASEAN Member States

<table>
<thead>
<tr>
<th>Countries</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>6.92%</td>
<td>10.92%</td>
<td>12.28%</td>
<td>15.36%</td>
<td>15.52%</td>
<td>16.72%</td>
</tr>
<tr>
<td>Thailand</td>
<td>20.1%</td>
<td>22.4%</td>
<td>23.7%</td>
<td>26.5%</td>
<td>28.9%</td>
<td>28.84%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>26.55%</td>
<td>30.65%</td>
<td>35.07%</td>
<td>39.49%</td>
<td>39.91%</td>
<td>42.97%</td>
</tr>
<tr>
<td>Lao P.D.R</td>
<td>7.7%</td>
<td>7.5%</td>
<td>9%</td>
<td>10.75%</td>
<td>12.5%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Cambodia</td>
<td>0.3%</td>
<td>0.5%</td>
<td>3.1%</td>
<td>4.9%</td>
<td>6.8%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>54.9%</td>
<td>57.0%</td>
<td>61.0%</td>
<td>65.8%</td>
<td>67.0%</td>
<td>67.5%</td>
</tr>
<tr>
<td>Singapore</td>
<td>69%</td>
<td>71%</td>
<td>71%</td>
<td>72%</td>
<td>81%</td>
<td>82%</td>
</tr>
<tr>
<td>Brunei Darussalam</td>
<td>49%</td>
<td>53%</td>
<td>56%</td>
<td>60.27%</td>
<td>64.5%</td>
<td>65.6%</td>
</tr>
<tr>
<td>Philippines</td>
<td>9%</td>
<td>25%</td>
<td>29%</td>
<td>36.24%</td>
<td>37%</td>
<td>39.69%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>0.22%</td>
<td>0.25%</td>
<td>0.98%</td>
<td>1.07%</td>
<td>1.6%</td>
<td>2.1%</td>
</tr>
</tbody>
</table>


According to the figure 2, there has been a constant development and increase on the number of internet penetration rate from 2009 to 2014 in all ASEAN member states. One of the most significant increases happened in Philippine between 2009 and 2010, which counted an increase of 16%, from 9% in 2009 to 25% in 2010 (World Bank, 2012). However, the gap of the penetration between the 10 member states is still prominent. Cambodia and Myanmar recorded as the lowest countries to get penetrated by internet.

This is shown by the internet penetration rate in both countries which do not surpass 10%, means that less than quarter of the populations in those countries has the access to the internet. On the other hand, countries such as Singapore, Malaysia, and Brunei Darussalam has an internet penetration rate of more than 50%, means that more than half of their population has an access to the internet. Such prominent gap is believed to hinder the information flow and openness between ASEAN member states.

Figure 3: Internet Penetration Rate vs GDP per Capita (2013)

What cause such prominent gap then? One of the answers is income gap. Internet and various other ICTs are attainable only if a particular individual had reached a certain level of income that made it possible to spend it for ICTs. According to The Internet Society (2015) report on ASEAN ICTs, income level of an individual does affect the internet penetration rate. Figure 3 below shown that there is a correlation between income level and internet access. The report divides the ASEAN countries into three different clusters; the top tier consists of countries with internet penetration of more than 60% such as Singapore, Malaysia, and Brunei Darussalam. The countries which belong to this tier have a high GDP per capita and followed by a high internet penetration. The second tier consists of those who have a medium GDP per capita, as well as their internet penetration, such as Viet Nam, Philippines, and Thailand. The last tier consists of countries with low GDP per capita and also low internet penetration, such as Indonesia, Laos, Cambodia, and Myanmar. This also shows how income gap does affect the internet penetration rate in ASEAN.

ANALYZING REGIONAL INTEGRATION THROUGH ICTS DEVELOPMENT

Indonesia, Malaysia and Singapore

One of the considerations when it comes to regional integration is regarding the aspect of public awareness. The public is a primary actor in the process of regional integration. For this reason, public awareness of such integration should provide essential feedback for the formulation of policies regarding regional integration. In fact, regional integration theories, such as transactionalism, neo-functionalism, and democratic theory, have advocated ‘public opinions’ as a fundamental aspect for regional integration (Deutsch, 1957; Lindberg and Scheingold, 1970; Hewstone, 1986; Collins, 2008 in Moorthy and Benny, 2013: 402). The success of such regional integration may well depend on public awareness and support.

Even though ASEAN has attracted considerable interests, much of its focus has been on the role of political elites and states, political and economic relations of the region, the development of ASEAN as a regional institution, and ASEAN’s socioeconomic challenges (Acharya, 2003; Hew et al., 2004; Hew, 2005, 2007; Guerrero, 2008). However, to date, there is no systematic study to ascertain whether the public is aware of or support the idea of an ASEAN Community. Since the ASEAN Community aims to promote a ‘people-oriented’ ASEAN, it is important to study what the people think about this initiative.

This study argues that the issue of digital divide between Indonesia, Malaysia, and Singapore as ASEAN member states has hindered the information flow regarding ASEAN Community. Thus, it causes a difference of knowledge regarding the ASEAN Community which produces a difference in public awareness in each country. In order to find out the answer, the writer relied on the findings from Moorthy and Benny (2013) on their article entitled “Does Public Opinion Count? Knowledge and Support for an ASEAN Community in Indonesia, Malaysia, and Singapore” in which contains a survey in Indonesia, Singapore, and Malaysia regarding their public’s awareness of ASEAN Community. In accordance to the report, the writers argue that ASEAN member state with a high number of ICT development rate and internet penetration rates will score higher in the survey, especially in the ASEAN Community part of the question.
According to the study conducted by Moorthy and Benny (2013) (see Fig.4), it is argued that only 55% of the Indonesian respondents have heard the term ASEAN Community. While the number get even lower when it comes to ASEAN Charter 2007. Only 41% respondents know about ASEAN Charter which contains the elements of ASEAN Community. Moreover, only 17% of the Indonesian people know that ASEAN Community was conceptualized from Bali Concord II. This number, though, can be even lower in reality due to the fact that the study is only conducted in big cities, such as Jakarta, Surabaya, Medan, Pontianak, and Makassar. On the other hand, a different result came out in Singapore and Malaysia. The study found out that 51% of Singaporean respondents and 46% of Malaysian respondents actually know about ASEAN Community. Singapore and Malaysia also score higher percentage when it comes to knowledge of Bali Concord II. Each country scores a number of 20% and 27% respectively. A similar result also presented when it comes to ASEAN Charter 2007. Singaporean respondent score a number of 39% and Malaysian respondent scores 43%.

According to the study, it surprisingly produces a different result than on the proposed argument. Indonesia scores a highest number regarding the public’s awareness of ASEAN Community, which is 55% and surpasses the other developed ASEAN member states such as Singapore (51%) and Malaysia (46%). Moreover, Indonesia also surpasses Singapore in term of awareness regarding ASEAN Charter 2007. However, one of the logical arguments regarding the inconsistency of the result and the argument regarding the ASEAN Community is due to the number of population and the city selection of the survey. Indonesia held the most population among the other ASEAN member states, and this means that the number of samples taken in the survey do not wholly reflects the situation of people’s awarenees of ASEAN Community in Indonesia. Moreover according to the survey, it is big cities around Indonesia, which means that the respondents are taken from big cites, which means it has a high number of internet penetration. Such can be proven from the survey conducted by A.T Kearney (2014) which shown that from 5.5 million inhabitant, Singapore has 4 million of those that can access internet. At the same time, Indonesia has 248 million inhabitants and only 39 million of them can access internet. This shows that although Indonesia has a high number of internet users, it does not show a high number when it is compared to the total population of Indonesia itself.

The findings above clearly showed that the level of awareness regarding the ASEAN Community was significantly low, with almost half the respondents admitting that they were unaware of it. Such low level of awareness at one point can be related to the issue of digital divide undergone between ASEAN member states. The lack of access to the information regarding ASEAN Community, added by the lack of explanation from the government can be the reason behind the lack of awareness of ASEAN Community. Any regional community-building process would, first, require the support and participation of the stakeholders. Public awareness is crucial; as without it, the support for regional integration may wither as the people may not be able reconcile their values with the new values of integration. Although the findings found that the respondents’ awareness of ASEAN was quite high, there was much less awareness regarding the ASEAN Community. Only half of the respondents surveyed claimed that they had heard about the ASEAN Community. The level of awareness regarding the two founding documents of ASEAN Community – the Declaration of the Bali Concord II and the ASEAN Charter – was even lower in all the three countries (as shown in Fig. 4).
It is then believed that through the lack of ICTs development that causing the absence of awareness, it will affect the integration process in ASEAN Community. According to the theory of Functionalism, the goal of political integration can be achieved through the rationale of achieving peaceful relations among warring nation-states, by “an administrative network which better serves human needs” (Pentland, 1973). This network, it is suggested, would be driven by technological advances and the functional need to cooperate. Functionalism therefore best explains how ICTs can enhance regional economic integration. Explicitly downplaying the role of national governments, in the functionalist model of integration of citizens by utilizing networks of communications and transportation, for example, cooperate and integrate the systems across borders. It is then assumed that “creative association and cooperation in problem-solving provides a learning-situation in which participants are gradually weaned away from their allegedly irrational nationalistic impulses toward a self-reinforcing ethos of cooperation.” (Pentland, 1973). This means that ASEAN is yet to achieve such level of integration, due to the fact that the integration of citizens by utilizing networks of communication is not yet implemented.

**Singapore and Myanmar**

In recent years, ASEAN economies experienced healthy growth of internet penetration measured by the proportion of internet users and broadband subscribers. The region’s internet population doubled from 81 million in 2009 to 162 million in 2013. Wireless broadband subscriptions grew 30-fold during the same period. Given that growth of the fixed-broadband penetration was minimal, wireless broadband has been the key driver of rapid internet uptake across the region (ITU, 2014).

**Figure 4.** ASEAN Internet Penetration (2009-2013).

When compared with the rest of the world, however ASEAN connectivity still lags. According to TU, global internet penetration in 2013 reached 40%, with an average penetration of 78% in developed countries and 32% in developing countries. ASEAN’s comparable figure was only 26%. Average ASEAN fixed broadband penetration lag significantly (3.2 subscribers per 100 inhabitants compared to the world average of 9.4)
while wireless broadband penetration is barely on par with the world average (30.1 subscribers per 100 inhabitants compared to the world average of 32) (ITU, 2014).

In Singapore, ICT Industry is one of the key drivers of the Singapore economic. The industry accounts for more than USD 70 billion or CHF 55 billion and grows at more than 12% annually. ICT industry is regulated by the Singapore Infocomm Development Authority (IDA http://www.ida.gov.sg/home/index.aspx), the default Government Chief Information Officer, responsible for master-planning and developing the nation's ICT infrastructure. In doing so, IDA cultivates a vibrant and competitive ICT industry in Singapore, one that attracts foreign investment and sustains long-term GDP growth through innovative ICT technology development, deployment and usage in Singapore, in order to enhance the global economic competitiveness of Singapore. In the latest development, Singapore Government has chosen it’s now privatized Postal Telegraph &Telephone, Singapore Telecommunication Limited (SingTel http://info.singtel.com/) to deliver the private cloud infrastructure for government as well as the public cloud services. The Singapore government believes adopting the cloud will bring about cost savings through the standardization and sharing of computing resources and applications (Hew, 2007).

In Myanmar, the impact of the ICT Master Plan and Action Plan projects and initiations will develop ICT infrastructure, will increase efficiency in e-government, and digital divide will be narrower. As we know Myanmar is the only country neighboring with two major countries, India and China. So Myanmar can enjoy the benefit of spillover effect of these two countries development because of the strategic location. Forward-looking preparations are underway and also exhibit relative readiness in skills and human resources. The private sector also has the technology, resource and creativity to turn Myanmar into a reality (ASEAN-Up. 2016).

In technology aspect, Myanmar’s Tele-Infrastructure can be divided into access networks, switching, transmission and international connectivity. The access network of Myanmar is in a relatively weak condition compared with those of other ASEAN countries. Teledensity is under 1% including mobile telephony and the number of Internet users is negligible. At this point, the telephone supply does not meet the increasing demand (The Internet Society, 2015).

There are many obstacles for national information projects. The first is unstable situations that has slowed down the progress of our national ICT development projects a lot preventing the potential foreign investments and slowed down international cooperation and support. Other mentioned obstacles include poor communications infrastructure and insufficient budget, the rise of fuel price and electricity problems, and finally the lack of awareness and willingness of the high positions (The Internet Society, 2015).

Myanmar also has concern in ICTs with building institutions in ICT development. Myanmar Computer Science Development Council is established in 1996. Myanmar Computer Federation (MCF) is established in 1998. MCPA, MCIA and MCEA are subordinated by MCF (ASEAN-Up. 2016). To reduce the digital divide between the urban and rural areas of Myanmar and to get better communication of citizens by using IT technologies, MCF is carrying out a project of opening Public access centers (PAC) throughout the whole country.
CONCLUSION

In accordance to the analysis above, it can be said that digital divide is still a prominent issue in ASEAN. The gap of ICTs development and ownership between countries is a visible, yet somewhat lack of attention. Countries such as Singapore, Malaysia, and Brunei is considered as a countries with a high ICTs development, not only in ASEAN level but also in an overall international level. On the other hand, there are also countries in ASEAN such as Myanmar who hasn’t developed their ICTs to the extent that it is ready for a regional openness; or Indonesia, who has developed their ICTs but still has not developed that much due to the issue of population number.

It was formerly argued that such issue of digital divide might affect the integration of the ASEAN member states, especially during the ASEAN Community process that currently happening. The analysis above then finds out that the degree of ICT development do affect the integration, in terms of citizen’s integration toward ASEAN Community. The citizen’s integration can be sought out from their awareness and knowledge regarding ASEAN Community, and the study finds that Indonesia score a low level of public awareness compared to fellow ASEAN member states such as Singapore and Malaysia. At the same time, Indonesia also considered as a less developed state in terms of ICTs. This means that ICTs does affect the integration in terms of people’s openness and readiness toward the integration itself.

The lack of information regarding the integration does affect the integration itself, for integration is not a process that only involving states and leaders, but also people and communities at the most basic level. At this point, it should be noted that ASEAN has remained a ‘community of nations’ and not a ‘community of people’ yet, despite the recent allusion of community building, the ASEAN process are still very much controlled and driven by the state. For a regional integration to be fully implemented, it is not enough for state to only relying on the relations and communication on the elite level. Regional integration is a process that affect the region in a whole level, means that citizens and common people will also be affected from the integration and one of the indicators of people’s readiness toward integration is their knowledge regarding the integration process. ASEAN member states at the same time are still lacking in such preparation for integration.
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IMPLEMENTATION OF THE INTERNATIONAL LAW REGARDING THE PREVENTION, INSPECTION AND RESPONSE TO HAZARDS FROM RADIATION AT POINT OF ENTRY

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ABSTRACT

In this paper the researcher aims to examine how Thai domestic law can be fully enforced for the prevention, inspection, and response to the accidental release or intentional use of radio nuclear material that damages health in compliance with international laws. The researcher relied on state legislation regarding prevention, inspection, and response to hazards from radiation that stipulated by the 2005 International Health Regulations of World Health Organization and the 1968 Nuclear Non-Proliferation Treaty of the International Atomic Energy Agency. Findings revealed that Thai legal measures on hazards from radiation did not comply with the international agreements, particularly the principle of transparency that may unnecessarily interfere with international traffic and trade. Implications are that there must be amendment of domestic law concerning the rights and obligations to prevent, inspect, and respond to the threat to global public health from use of radio nuclear material at points of entry.

KEY WORDS: 2005 International Health Regulations (IHR), 1968 Nuclear Non-Proliferation Treaty (NPT), transparency, radiation, point of entry

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INTRODUCTION

Thailand is obliged to comply fully with the 2005 International Health Regulations (IHR) by amending domestic law and regulations. The purpose and scope of IHR is to prevent, protect against, control, and provide a public health response to the international spread of diseases in ways that are commensurate with and restricted to public health risks constituted by communicable diseases between humans and animal to human, or caused by chemical use and food safety as well as the spread of radioactive materials at points of international entry or exit including ports, airports, and ground crossings (Steven & Churchill, 2000; Fidler & Gostin, 2006).

Currently it is common for Thais to have cancer treated overseas without revealing the purpose of their visit (Spring News, 2015; ASTA Manager Online, 2015) to have radiation therapy such as radioactive implant: Iodine-125 (I-125); Palladium-103 (Pd-103); or Gold Isotope (AU-198) (Subcommittee on Radiation Safety, 2013; Office of Atoms for Peace, 2014), at the point of communicable disease control, which will allow officials be informed of their history and procedure of therapy. This prevents the country from protecting against hazardous spread of radioactive materials that may affect adversely other travelers. Evidently, this incident shall constitute “public health emergency of international concern” (PHEIC) emerged from radioactive materials as provided by the IHR.

Thailand’s domestic laws and regulations were enacted before the IHR came into force. As a result, the provisions which provide legal and health measures to protect against PHEIC do not conform to international agreements. This affects the development of Thailand’s performance on establishing preventive measure, verification, assessment, control, and response to public health emergencies of international risk to radioactive materials. Moreover, the laws and regulations that currently are in force do not prescribe practicable measures on PHEIC to deal with emergency incidents. It is, thus, evident that in case of obligations in conformity with treaties relevant to utilization of radioactive materials, other laws and regulations have not yet been implemented. There have been no laws or regulations enacted in conformity with the application of practicable measures to protect against PHEIC caused by radioactive materials, which have not been applied at points of entry. It is imperative that, in accordance with international obligations, Thailand review domestic laws and regulations to be applied in the matter of protection, inspection, and response to PHEIC that may be affected by radioactive materials.

Member States Shall Implement Laws And Regulations in Compliance with International Agreements

Laws and regulations should be established in accordance with international obligations arising from PHEIC caused by radioactive materials. In this connection, there are two concerned international organizations and international agreements.

International Atomic Energy Agency (IAEA) and International Nuclear Agreements

Thailand is a Member State of the International Atomic Energy Agency (IAEA), represented by the Office of Atoms for Peace. Thailand is obliged to follow IAEA resolutions, treaties, conventions regulations, and measures. In addition, in 1972 Thailand became a State Party to the Nuclear Non-Proliferation Treaty (NPT) represented by the
Office of Atoms for Peace, a core organ to follow NPT’s obligations. The NPT is a landmark international treaty whose objective is to prevent the spread of nuclear weapons as provided in Articles I-III and Article VI respectively. Most substantially, Article IV prescribes, in the matter of the utilization of nuclear energy for peaceful purpose, that all parties to the treaty shall have the right to develop research, produce and utilize nuclear energy for peaceful purposes, with the emphasis on the benefit of nuclear energy use for developing national capacities in different fields including agriculture and medical treatment (Ministry Foreign Affairs of Kingdom of Thailand, 2010a).

On 16th May 1974 Thailand ratified the agreement between the Government of the Kingdom of Thailand and the International Atomic Energy Agency for the Application of Safeguards in Connection with the NPT. Moreover, the Convention of Assistance in the Case of Nuclear or Radiological Emergency was ratified by the Kingdom of Thailand on 21st March 1989, of which the principles were applied to the domestic laws and regulations under the responsibility of the Office of Atoms for Peace, serving as the main authority of regulating national safety relating to nuclear energy development and exploitation of nuclear energy as well as dealing with radiological emergencies (Ministry Foreign Affairs of Kingdom of Thailand, 2010b).

World Health Organization and the 2005 International Health Regulations

In consideration of the spread of international health risk originating from radioactive materials, in accordance with the IHR, there may be several types of incidents that will lead to "PHEIC", in which “the extraordinary event constitute a public health risk to other States through the International spread of disease, and potentially require a coordinated international response” (Fischer, Kornblet & Katz, 2011). The IHR, thus, placed emphasis on the points of international entry as “the points of entry,” meaning a passage for international entry or exit of travelers, baggage, cargo, containers, conveyances, goods, postal parcels as well as agencies and areas providing services to them on entry or exit as indicated in the definitions of Article 1 (WHO, 2005; WHO, 2016).

In terms of PHEIC arising from radioactive materials, Article 4 prescribes that each State shall designate responsible authorities both at the National IHR Focal Point and at the points of entry; meanwhile, Article 6 provides that each State Party shall assess events occurring within its territory by using the decision instrument in Annex 2. Each State Party shall notify WHO, by the most efficient means of communication available, by way of the National IHR Focal Point, and within 24 hours of assessment of public health information (Jarosky & Groseclose, 2004) of all events which may constitute PHEIC within its territory in accordance with the decision instrument, as well as any health measures implemented in response to those events (Fidler & Gostin, 2006, p. 88). If the notifications received by WHO involve the competency of the IAEA, WHO shall immediately notify the IAEA.

The decision instrument to assess the events that constitute PHEIC arising from radioactive materials is determined in Annex 2 of the IHR. Annex 2 provides the decision instrument for the assessment and notification of events that may constitute PHEIC, including those of unknown causes or sources and those involving events that must be assessed by using the decision instrument as provided in Annex 2 to be notified to WHO as these events constitute PHEIC caused by radioactive materials.
The IHR stipulate that the competent authorities responsible for monitoring the points of entry must have effective contingency arrangements to deal with unexpected public health events, examine, give advice to travelers and take all public health measures for travelers as provided in Article 22. They shall also be responsible for inspection with regard to travelers, baggage, and documents as well as application of additional health measures on travelers to prevent public health risks in accordance with Article 23. Furthermore, subject to Article 31 No.2 (3), additional health measures relating entry of travelers are to be implemented if there is evidence of an imminent public health risk to prevent or control the spread of disease, including isolation, quarantine or placing the traveler under public health observation. Meanwhile, the Regulations prescribe under Article 43 that a State Party shall implement additional health measures in response to PHEIC in case where the available health measures are insufficient for dealing with public health risks including the spread of radioactive materials (Fidler & Gostin, 2006; Fleming, 2012).

As regards to the commitments, the Regulations provide that each State Party shall develop, strengthen, and maintain, as soon as possible but no later than five years from coming into force, the capacity to respond promptly and effectively to public health risks and PHEIC as set out in Annex 1 of IHR, subject to Article 13 and Article 19. These provisions shall be implemented as domestic legal measures in dealing with public health events within the territory as set out in Annex 1 Part B relating to development of core capacity requirements for designated airports, ports, and ground crossings for responding to events that may constitute PHEIC, including development of capacity to respond to PHEIC emerging from radioactive materials. As a result, the State Party shall be committed to establishing legal measures and public health measures to prevent, inspect, and respond to PHEIC caused by the spread of radioactive material within timeframe as provided by the IHR.

**RESEARCH FINDINGS AND DISCUSSION**

Thailand is bound to comply with a variety of international agreements, especially the IHR that specifically regulate legal measures and heath measures to be effective at points of entry. The IHR places emphasis on establishing emergency measures to respond to PHEIC including five public health risks constituted by communicable disease between humans and from animal to human, or arising from chemical use and food safety, especially emergency occurrences caused by radioactive waste and nuclear power.

**Thai Laws and Regulations on the Prevention of Pheic Emerging from the Spread of Radioactive Materials**

Legal measures relevant to preventing, protection against and control of epidemics at international points of entry and exit are established in a variety of law and regulations. It can be said that such provisions of law constitute domestic measures implemented prior to the coming into force of the IHR. However, the provision of Thailand’s national legal measures and national health measures are not consistent with international agreements and the legal measures are not practicable, which can cause international conflict arising from a lack of transparency leading to trade barriers and travel restrictions. The provisions of law at a domestic level need to be revised and modified upon the ratification and implementation of international agreement relating to PHEIC caused by the spread of radioactive materials, and can be divided into six categories as follows.
Legislation Relating to Utilization of Atomic Energy

The requirements of uranium implantations for the purpose of treatment, in which radioactive materials are used unexpectedly. These treatments may constitute PHEIC as they spread radioactive materials. Legislation dealing with this includes the Atomic Energy for Peace Act B.E. 2504 (1961) enacted with the purpose of controlling atomic energy use for development and provides penalties.

Under Section 12 of this Act, uranium implantations shall be considered being in possession “sapphire,” meaning it constitutes the illegal import of sapphire as provided in Section 13, which is subject to penalty. The Atomic Energy Commission for Peace’s Notification on Measure of Radioactive Materials Safety B.E. 2549 (2006) states that such implantations are considered as minerals (Office of Atoms for Peace, 2014, 9; Subcommittee on Radiation Safety, 2013, 31); however the purpose of the law emphasizes the management of safety standards in case of utilization of radioactive materials in industry and medical treatment in Thailand. There have been no legal measures implemented for the purpose of preventing inspection and response to emergency occurrences caused by radioactive material used in conformity with the principles and practicable measures of the IHR.

Legislation Relating to Public Health and Disease Control

All legislation enacted in conformity with the IHR (2005) highlights the restricted frame of application, which includes communicable diseases and epidemics. In this connection, the Public Health Act B.E. 2535 (1992) was enacted based on the implementation of legal and health measures associated with hygienic points of entry. Likewise, the Communicable Disease Act B.E. 2558 (2015) prescribes only disease control at the point of entry which means a passage for international entry or exit of travelers or different items as well as an area providing services at points of entry or exit. Subject to this Act, any domestic passage for entry or exit shall be reserved as a point of controlling communicable diseases, four of which include communicable disease, communicable and harmful disease, alarming disease, and epidemics (Tangkakul, 2014).

Despite the fact that the Communicable Disease Act B.E. 2558 (2015) modifies the principles of law related to a range of matters, it provides a working committee to oversee the points of entry or exit, compared to the previous provision unmodified under the Communicable Disease Act B.E. 2523 (1980) (Umpai, 2015b) which has been revoked and the fact that, under the newly modified Act, it is also provided that the working committee on duty at the point of entry or exit shall have power and duties, within their responsible area, to establish working plans relating to surveillance, prevention and control of internationally communicable disease; as well as prepare plans to respond to public health emergency of concern, which will be implemented to prevent and protect against such occurrence at the point of international entry and exit (Umpai, 2015a); this Act, there are not any practicable measure, legal regulations and public health measure relating to prevention, inspection and response to emergency occurrences caused by radioactive materials in conformity with the IHR’s principles as provided thereof.
Legislation Relating Immigration

In consideration of laws and regulations relating to inspection of travelers on international voyage, foreigners shall be bound to be checked by the Immigration Bureau. Under the Immigration Act B.E. 2522, it prescribes the matter of restricted health conditions and prohibited disease in case of aliens having not been vaccinated against smallpox or inoculated or undergone any other medical treatment for protection against communicable disease or having refused to be checked by immigration officials. Moreover, immigration legislations regulates other prohibition that aliens may have behavior which would indicate possible danger to public or likelihood of being a nuisance or constituting any violence to the peace or safety of the public or to the security of the nation or those who are being under a warrant of arrest as provided by Section 12 (5) and (7), which prohibited aliens to enter in the country. (Umpai, 2015b)

We can see in the above mentioned that such Act shall be applicable to foreigners not travelers with Thai nationality. Whether aliens have behaviors that may cause danger to society or national security shall be the only case that foreign government official issued a warrant of arrest. As a consequence, in case of radioactive implantation or brachytherapy on either Thai or aliens who are considered dangerous to national security, unless a warrant of arrest on nuclear terrorism is issued, such legislation shall not apply thereby.

Legislation Relating to Possession of Baggage, Items, and Hazardous Substance Relief

Pursuant to the study of legal measures relating to public health emergency caused by radioactive materials under the Hazardous Substance Act B.E. 2535 (1992) (amended B.E. 2551), definition of “hazardous substance”, in this Act, include radioactive materials, as provided by Section 4 (7), which has been caused by import in possession of importer. Nevertheless, the purpose of this Act emphasizes on control of hazardous substance to be used in commercial context as well as mainly monitoring and supervising business operation including production, possession, import and export. As the case mentioned before, there are neither legal measure nor public health measure with emphasis on prevention, inspection and response to PHEIC caused by radioactive materials. (Tirawat, 2013)

Meanwhile, under the Disaster Prevention and Mitigation Act B.E. 2550 (2007), disaster includes other hazards which affect the public, accident or any other event which is harmful to life, body of people, which means hazards including the hazardous effects of radioactive materials (Umpai, 2015b).

Still, in consideration to legal measure established in this Act, there is only legislation on decentralization to empower local authorities to administer at the local level; thus, the local authorities shall possess the points of international entry or exit and the area where is located the point of disease control. In case where radioactive emergency occur, there is a doubt whether the local authorities have capacity and knowledge to implement security measure for radioactive spread.

Although this Act provides substantially the scope of power that the local authorities shall be able to exercise, including manipulate radioactive material use, in practice, the officials lack tools, knowledge and capacity to respond to emergency circumstance cause by the spread of radioactive materials. Adversely, in reality, there is an evidence showing that
there is a radiation specialist found neither in the local authorities, government agencies under the supervision of the Ministry of Interior, nor in several hospitals. In practice, the agencies responsible for monitoring emergence of radioactive risk is Bureau of Radiation Control, the Office of Atoms for Peace, the main authority to send experts to help in case where radiation crisis arises in hospitals or at other places. (Office of Atoms for Peace, 2015, 63)

**Legislation Relating to Safety of Air Navigation and Airports**

The Air Navigation Act B.E. 2497 (2954), with the purpose of air navigation control of different types, set out specific regulations relating to carrying radioactive materials on board an Aircraft. Subject to Section 26 of this Act, no person shall send or carry on board an Aircraft dangerous goods or animals which may endanger the safety of the Aircraft or persons on board the Aircraft. On this matter, with the purpose of controlling safety and air navigation services of on board the Aircraft, the Partial Offenses against Navigation Act B.E. 2551 (2008) was promulgated, prescribing specifically in relation to wrong actions arisen on board the Aircraft in accordance with Section 8 (3) that any person on board the Aircraft, having on board prohibited items in possession, shall be prohibited to carry on board the Aircraft such items as specified in the Ministerial Regulation on Dangerous Goods or Animals Affecting the Safety of the Aircraft or Persons on Broad the Aircraft B.E. 2550 (2007). In this Act, Section 3 (7), radioactive material is a hazardous item to air navigation. (Airports of Thailand, 2015; Department of Civil Aviation of Thailand, 2012)

Nevertheless, similar to the above-mentioned legislations, these provisions of law regulate exclusively the prohibited actions and penalties but do not provide legal and health measures relating to protection, inspection or response to PHEIC that may occur on the aircraft or at the point of international entry or exit.

**Legislation Relating Navigation and Ports**

Port Authority Thailand Act B.E 2494 (1951), together with notifications and regulations implemented by the Port Authority Thailand, prescribes mainly the domestic port undertakings, excluding the legislations or measures relating to prevention and protection against international epidemic or response to the spread of radioactive material which shall be effective at the jurisdiction of the Port Authority Thailand (Umpai, 2015b).

Meanwhile the Act on Navigation in Thai Water B.E 2456 (1913) provides practicable measures directly relevant to the prevention and protection against international epidemic arisen from international travelers, goods carriage and international navigation, to be implemented by persons having regular duty on board of a vessel in case of examining the presence of international epidemic as provided in Section 242. In contrast, this Act does not specifically issue any practicable measures to respond to PHEIC caused by the spread of radioactive materials (Umpai, 2015a; Umpai, 2015b).
CONCLUSION

Despite the fact Thailand has codified the domestic law and regulations in conformity with the International Health Regulations (IHR-2005) by enacting the Communicable Disease Act B.E. 2558 (2015) to be effective on 6 March 2016 in which the matters of “the point of entry” and competent officials and their powers and duties are determined. The purpose of this enactment is to be effective principally in the matter of communicable disease and to be applicable throughout the Kingdom of Thailand, but it is not only enforced at the point of entry.

Likewise, the Communicable Disease Act B.E. 2558 (2015), the Atomic Energy for Peace Act B.E. 2504 (1961) as well as other legislations do not provide specific practicable measure relating to dealing with public health emergencies cause by the spread of radioactive materials whereas the legal and health measures on prevention, inspection and response to PHEIC caused by chemicals use and food safety is undertaken in accordance with legal measures and health measures contained in various legislations.

It is found significantly difficult to enact, into the single legislation, the whole of law and regulations concerning five aspects of mission relating to PHEIC in conformity with commitments of the IHR; however a subsequent question to be answered is whether or not the modification or amendment of related law and legislations, including the provisions on chemicals, safe food and radioactive materials, should be supplemented in the same version or separated similar to the exercise of power of the officials at “the point of entry” as provided by the Communicable Disease Act B.E. 2558 (2015). Otherwise, there must be a decision on which is more efficient between 2 options to be implemented as legal and health measure: all related legislations should be modified; or specific legislations on the on duty competent officials at the point of entry should be integrated all together, in which 5 aspects of mission should be codified separately.

RECOMMENDATIONS

With the purpose of the unity of the application of domestic legislations, it is doubtful, as a result, whether Thailand should issue separately domestic law and regulations in conformity with the IHR to be effective exclusively at the point of entry, to be implemented as legal and health measures concerning the control of PHEIC, or not. The reason why Thailand should carry out this guideline is the scope of the IHR emphasized on prevention, protection against, control and providing a response to PHEIC at the point of international entry or exit considered the first passage where there may be spread of public health risks emerged from the state parties.

In the principle of the implementation of legal and health measures relevant to the control of PHEIC arisen from the spread of radioactive materials, the provisions of law should be contained in the chapter on “Control Measure of Radioactive Waste and Nuclear,” in which there should be provided requirements for travelers in informing and showing documentation of having radioactive materials in possession, medical inspection and instruments applied to isolation, quarantine or placing the traveler under public health observation, additional health measures in conformity with the IHR (2005), control of the spread of radioactive materials, penalties applied to violators on the basis of “the presumption of fault” and “strict liability”, which will lead to the unity of legislations (Tirawat, 2013).
Although this article doesn not analyze the civil remedies, the civil liability should be provided “in a strict manner” to remedy any other damaged travelers directly affected by possession of radioactive materials.
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ASEAN-EU REGIONAL COMPARISONS:
CULTURAL, IDEOLOGICAL, AND DIVERSITY ISSUES

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ABSTRACT

The success of European Union regional integration triggered the era of regionalism across the globe. The “new regionalism was born abandoning the “old regionalism” centered around Europe model of integration. In the context of ASEAN integration, EU model of integration and regionalism proved to be ineffective. The degree of regionalism and the institutional bodies are less constraining in ASEAN than in EU. This raises question about the EU model of regional integration that centered around strong institution and gives way for a broader definition and model of regional integration which is more fluid and less rigid. It is shown by the formation of ASEAN that reflect Southeast Asia diversity in culture and ideologies. In this paper the authors will explain the EU-ASEAN comparative study through cross regional comparisons method. This paper will also highlight the cultural, ideological and diversity background that differs ASEAN fluid regionalism with the EU strong institutionalism. This research will contribute in explaining the role of cultural, ideology and society roles in regional integration.

KEY WORDS: Regionalism, ASEAN, European Union

INTRODUCTION

After ending 30 years of war, Westphalia treaties led to a new concept called the nation-state. The concept is positioning the country as an actor who has a similar position, and in order to resolve problems, all countries should put forth for the principles of peace. This view of the concept of Westphalia is then attempted to be refuted by the institutionalist through post-Westphalian concept, which regionalism strived to be a new order, and sovereignty is no longer instantaneous not to be absolute (Hettne, 2005). Regionalism is a product and in response to changes in global political constellation both
politically and economically. Globalization and war are the main factors that have promoted the spread of regionalism to various parts of the world (Tarling, 2005). Things proved this assumption can be examined by the conditions in the post-World War 2, in which the countries of the world are trying to restore its economy. In the process of the economic recovery, comes the European Union as a platform of cooperation between countries in Europe. The concept of regional cooperation then become a trend in the constellation of global politics after the collapse of the Soviet Union. In which various regional world vying then gave birth to the concept of their regionalism respectively. Most of the models are emerging regionalism, making the EU as a role model. EU is considered as a model of regionalism to accelerate economic growth and connectivity among member states significantly.

One of the implementation of regionalism that emerged after the Cold War is the ASEAN Community concept initiated by the countries of Southeast Asia. In the establishment of the ASEAN roadmap, there are similarities with the roadmap which is owned by the EU. To learn about the concept of regionalism was initiated by ASEAN further, it is necessary to go back to the decade of the 60s when the embryonic of EU, the European Coal and Steel Community was born. The main point of the emergence of the EU is driven by the needs of energy and raw material supply amounts to unleash massive economic recovery measures in European countries. Commodities fuel into focus at that time was coal and steel, which in practice the trade in coal and steel between the European countries often creates dilemmas. This dilemmas are about the existence of economic obstacles, in the form of tariff barriers and non-tariff barriers. To address these barriers once completed, European countries agreed to form ECSC at that time. Through the cooperation that was built in the ECSC, European countries feel the benefits of the liberalization of trade in coal and steel. The success of the implementation of this cooperation, led to the idea to expand the scope of cooperation among European countries in a broader scope. This idea is based on the theory of spill-over effect in the concept of liberal economic system of Europe at that time. A short time later was born the European Economic Community (ECC), which aims to liberalize the economy in the countries of Europe as a whole.

Slowly, regionalism that now present is not only concern discussed cooperation on the economic aspect. Evidenced by the emergence of the European Political Community, as well as the European Security Community which then shared EEC into three main pillars of the EU, where the three pillars became the stepping stone for the birth of the European Union as a form of supranational government which not only has a de facto foundation, but also de jure foundation. Having considered firm, then the concept of the Eurozone was born, as the last stage in development. By institutionalists, this stage is known as post-Westphalian era. A condition in which the country's sovereignty does not become a cult thing, and the countries of the world will unite to make regional organizations.

Eurozone is a concept of the formation of its own monetary system outside the international monetary regime, the Bretton Woods System. The basic idea of this system is to create a single currency among member States. Hopefully, by the currency union is able to eliminate trade barriers among member countries. In the process, the concept of the Eurozone does not just run smoothly without an obstacles, then the waves of opposition emerged that is often referred by scholars as eurosceptism. A condition in which there is excessive by European public fears over the future of Europe after the integration into a Supranational concept. Eurosceptism itself had a significant influence by successfully pushing the British Labour Party to reject the participation of the UK into the eurozone.
They worry that this integration can lead to financial contagion, and political instability of UK. According to the Eurobarometer survey on public perceptions of the EU member states show that the trends have unfavorable results. Where, according to a Eurobarometer survey on request European council after the Global Financial Crisis in 2009, showed that more than 50% of the British people want Britain out of the EU, and this trend has also increased significantly in some countries in western Europe such as the Benelux (Eurobarometer Survey, 2009).

Then, it becomes a question about post-Westphalian concept which was initiated by the institutionalists. This question is then further led to the birth of thought skepticism over the regionalism in other regions. One trend of this skepticism then appears on regionalism in Southeast Asia which is considered the institutionalist as one of three triad institutionalism world (Spendler, 2002). So the question then is whether the concept of regionalism EU is a concept that can reduplicated, and applied into a region with differences in socio-cultural-economic background like ASEAN? How ASEAN skepticism influence the ASEAN regionalism process? How regionalism as the world order?

Pluralism and Pragmatism of ASEAN

Why pluralism became one of the principal discussion in this paper? It is based on that one of the fundamental differences between the EU and ASEAN is situated in the aspect of heterogeneity member countries. It should be noted that the EU is an organization that was born through commonality of fate, interests, and shared consensus on the concept of economic liberalism. While ASEAN is an organization, a product of the Cold War, which essentially aims to stem the development of the ideology of communism in Southeast Asia (Cheng Guan, 2004). Therefore, the sub-chapter will discuss whether these barriers are still very significant effect on the constellation of regional politics in contemporary East Asia? discussing about Southeast Asia, then we will see a region consisting of 10 countries, with thousands of ethnic groups in it, which is geographically has close to one another. This resulted in a much wider conflict potential, both domestically and regionally (Thayer, 2014), in which the conflict in ASEAN is dominated by domestic sectarian violence. To understand whether the issue of plurality in Southeast Asia would be an obstacle in the process of regionalization, the author will try to analyze some contemporary issues such as violence in Rakhine, Myanmar, cooperation of the MH 370 searches, and handling of typhoon Haiyan. When successfully explore three issues above, then we will see a collaboration gaps.

According to Professor Carl Thayer of the University of New South Wales (2014), ASEAN disaster relief cooperation, especially related to civil aviation is still standing on the foundation of a weak legal framework and filled with distrust. This assumption is reinforced by one point blueprint for the ASEAN Political-Security, which is only recommended member states to cooperate in the handling of rescue at sea, but does not cover the relevant recommendations of information exchange, technology exchange, and also visit the official government (Thayer, 2014). The weakness is then given a gap for Malaysia for not being open related searches MH 370, where it is very counterproductive to efforts of the SAR. The scary thing is how this dilemma occurs when the scope is much more political and strategic, such as the issue of sovereignty.
ASEAN Pragmatism

When we talk about Southeast Asia in terms of macro-economic concept, then we will see a pattern in the structure of Southeast Asian societies. Where the people of Southeast Asia is often known as a pragmatic mindset, that is reflected in foreign policy, including the macro economy.

What's wrong with ASEAN pragmatism? When we refer to the attitude of ASEAN countries related issue of South China Sea dispute, as well as development policy Beijing nine-dash line, then we will see how the ASEAN countries have a tendency to be pragmatic. One of the countries whose foreign policy is likely to lead to a model of pramatism is Indonesia. It can be seen through the case of the South China Sea, a position chosen by Indonesia tend to be neutral. Author judge this attitude as a pragmatic action, which in this case Indonesia reluctant to openly at odds with ASEAN countries, but also reluctant at odds with China being one trading partner and an important investment for Indonesia.

More related pragmatism, things that concern the authors in this context is the possibility of ASEAN into a regional organization meeting place pragmatic policies. When ASEAN as a regional organization has de jure foundation formed with the foundation of pragmatic foreign policy, then we will see ASEAN as a disaster in institutionalism when ASEAN faces a financial crisis. Where this phenomenon will be better understood in the next sub-chapter, ASEAN regionalism in the era of financial crisis.

Polarization Related to ASEAN South China Sea Issue

When we talk about contemporary of ASEAN, then we can not deny the issues related to the territorial dispute over the South China Sea. Where 6 among the 10 ASEAN members are involved disputes related to the South China Sea region. On the other hand China is growing as a new force in the world and engage this territorial dispute is also attempting to secure hegemony in the region. Addressing this issue, the general attitude of the ASEAN countries can be classified into three categories. The first category is a country that openly opposed the China-related claims on the South China Sea. The first group are countries like the Philippines, and Vietnam. The second group is the ASEAN countries both historically and politically a close ally of Beijing. These countries are, countries such as Myanmar and Cambodia. The third state group is the state who choose to be 'wait and see' addressing this issue. The third group of countries are Indonesia and Malaysia, which despite sharing a disputed territory, but more cautious. Where the differences in foreign policy orientation was assessed by Vibashu Shekhar of the Indian Council of World Affairs, made the position of ASEAN to be weak, and easy to push (Shekar, 2016).

This polarization began to emerge when China started intense in providing military assistance and economic assistance to the ASEAN countries as rising tensions over the South China Sea. The following data transfer arm of Beijing for some ASEAN countries between 2003-2013 which disetai the offset mechanism or financed through state credit (non-commercial credit) (Stockhol International Peace Research Institute, 2013).
The mechanism of transfer of technology, the offset, and the credit of the state in the international arms trade is a form of privilege. Because all the three concepts above can only be found in countries with political closeness and trust in each other. From the data above, it can be seen that China is so intense approached the various ASEAN countries through various transfer arm, even with an offer that includes the offset process. And in this context, it may reflect the foreign policy of the ASEAN countries related to the South China Sea. This polarization becomes dangerous when one of the countries that held the position of secretary general of the country or leader uses power to drive ASEAN to achieve its objectives related to the issue of South China Sea. It was feared the observers when the leadership of Brunei in 2012 ago. With the military and economic assistance, its not only affects the neutrality of ASEAN, but also on a broader scope. It is implicated in the emergence of two conflicting fronts among ASEAN countries. If the recall on the analysis of high-ranking officers in the scope of the defense ministries of China, related to the potential invasion by the army of liberation of the Chinese people, so in this context it may only be a matter of time until China has a superior ability to start an open conflict. When this open conflict broke out, it will bring ASEAN into a war-new ground in the constellation of global politics. From this analysis can be assessed that ASEAN regionalism are at a dilemma with fragile foundations polarization foreign policy. While Indonesia is often declare themselves as 'Big Brother' of ASEAN though, the foreign policy dilemma yourselves are in the position of gray, and not explicitly, affirmed its neutrality (Supriyanto, 2012).
ASEAN Regionalism in the Age of Financial Crisis?

To test the strength of the concept of regionalism in a region, it can be assessed through the constellation of politics in it during the crisis. Like when the Global Financial Crisis happened, the EU is seen as a solid regional organization, showed the fragility of structurally in it. During and after the Global Financial Crisis 2008-2009 it can be seen how the EU countries tend to be defensive to protect its domestic market (Gerrits, 2009). It is considered the author contradicts with the concept of cooperation and integration in a regional organization.

Related to the EU context, it can be further assessed that in fact the countries in a regional organization, still is a rational actor. Member states will always strive to achieve maximum utility. In addition, it should also be understood that the EU Countries heavily influenced by their public opinion. In this case, we can see that the concept of any regionalism, the state remains the actor who moves based pattern, namely the national interest. And what about Southeast Asia? To see the solidity of ASEAN as an embryos of regionalism which is reviewed through economistic perspective, then we must go back to the end of the decade of the 90s. Its because at that time, the Southeast Asian countries facing an acute financial crisis. When the US dollar is very rare that resulted in many countries in Southeast Asia difficulty making debt payments due. This shortage resulted in the depreciation of various currencies in Southeast Asia drastically. Depreciation is then brought some ASEAN countries fall into financial crisis. To dig deeper, the authors will try to see it through the perspective of Indonesia as a major power in ASEAN at the time. This perspective reviewing through the changing trends of Indonesian foreign policy. At which time Indonesia switched from the state with As-ian Values perspective shifted to the universality of the human rights perspective. It shows a form of disappointment Jakarta on the attitudes of the ASEAN countries on the absence of ASEAN countries to defend Jakarta for international public pressure to Jakarta after the Asian Financial Crisis (Agussalim, 2011).

Based on the description above, it can be understood that in the context of regionalism, economic integration not only provides advantages such as acceleration of trade, investment, and workforce, but also bring disadvantage in the form of the easier spread of financial crisis among members due to the high level of integration and macroeconomic interdependence. Then, it raised a question whether contemporary of ASEAN will face financial contagion, similar to what happens in the EU in 2008-2009. To answer this, we must look at the trend model of economic ideology in the ASEAN countries in the future. Seeing the trend that occurred five years, we will see that the ASEAN countries are headed leads capitalistic economic model. But this is not the capitalistic model of economic neo-liberalist models adopted by the EU countries, but leads to a Keynesian economic model. A capitalist model that retains the role of government as significant regulator (Skidelsky, 2009). In the Keynesian model of economic system, is technically member states will be safer from potential financial crisis spread massively.

Initiating ASEAN Monetary System

In their roadmap, which became final goal of ASEAN Community, is forming a separate monetary system as owned by the eurozone. When the eurozone came into effect, we will see that, despite offering a variety of advantages, the unification of the monetary system is
not an easy thing. At that time, rampant public eurosceptism resulted in UK, the UK parliament refused the member of UK in the eurozone. Not only in the UK, this integration-related resistance also strongly conveyed in many countries such as Denmark, Sweden, Poland, and Austria (Taggart, 2002). The unification of the monetary system is a complex process and requires planning in advance. Then how fundamental readiness of economies of Southeast Asia? In this sub-chapter we will look at how economic fundamentals various ASEAN countries through a variety of macroeconomic parameters.

<table>
<thead>
<tr>
<th>States</th>
<th>GDP*</th>
<th>Dept to GDP (ratio)*</th>
<th>Inflation*</th>
<th>GDP Growth (YoY)**</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunai</td>
<td>16,628</td>
<td>2.451%</td>
<td>1.500%</td>
<td>1.4%</td>
<td></td>
</tr>
<tr>
<td>Filipina</td>
<td>250,436</td>
<td>39.730%</td>
<td>3.707%</td>
<td>6.8%</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>878,178</td>
<td>23.648%</td>
<td>6.014%</td>
<td>5.3%</td>
<td></td>
</tr>
<tr>
<td>Kamboja</td>
<td>14,241</td>
<td>28.093%</td>
<td>4.594%</td>
<td>7.0%</td>
<td></td>
</tr>
<tr>
<td>Laos</td>
<td>9,217</td>
<td>51.419%</td>
<td>6.379%</td>
<td>8.3%</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>303,528</td>
<td>56.093%</td>
<td>2.200%</td>
<td>4.7%</td>
<td></td>
</tr>
<tr>
<td>Myanmar</td>
<td>53,170</td>
<td>45.398%</td>
<td>5.284%</td>
<td>6.8%</td>
<td></td>
</tr>
<tr>
<td>Singapura</td>
<td>276,520</td>
<td>108.164%</td>
<td>4.008%</td>
<td>3.5%</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>365,564</td>
<td>45.868%</td>
<td>3.758%</td>
<td>3.1%</td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td>138,071</td>
<td>50.898%</td>
<td>8.200%</td>
<td>5.3%</td>
<td></td>
</tr>
</tbody>
</table>


Referring to the data above, it can be concluded that the disparity in performance becomes a major challenge for the monetary system integration. Not only must be assessed based on the fundamentals of member countries, but the integration of the monetary system should also pay attention to socio-cultural aspects. Southeast Asia populations are more than 600 million inhabitants with a variety of backgrounds, and the relatively low level of education in some countries, the unification of the monetary systems of ASEAN will become a much more complex challenge than the European monetary system integration into the eurozone. Another challenge arises from the dilemma over the imposition of the eurozone, where the euro is only considered as a secondary currency among European countries. This placement resulted in the depreciation of the Euro compared to other currencies such as US Dollar. Then the question is whether the ASEAN countries when this pooling mechanism starts, willing and able to muffle their self-interest to integrate ASEAN monetary system?

Millimam Survey results related countries most benefited with the economic integration of ASEAN (Source) Milliman
Based on a survey held by Milian on February 20, 2014 against 86 executives of financial firms in ASEAN showed that 47% of executives of financial companies assess the integration of ASEAN will further benefit Singapore as an investment gateway of ASEAN (Millian, 2014). However, when linked with the macroeconomic data above, with the economic crisis Singapore risky with the ratio of debt to GDP, potentially resulting in a crisis on the overall economic system in ASEAN. And of course, this will be a disadvantage to be noticed by other ASEAN countries.

Furthermore, what about the economic outlook for ASEAN ahead from the aspect of economic fundamentals? To analyze this, we will use the results of the study of Organization of Economic Cooperation and Development (OECD) predicted that the ASEAN market will grow robust, with the average rate of 6.9% per year in the medium term. Based on the OECD report, Indonesia's economic growth will return in the range of 6% year on year, after a slowdown due to the US policy of quantitative easing. But the figure would otherwise be experienced by Vietnam's economic growth back down to the range of 6% from the previous range of 7.5% (OECD, 2013). From the data, the OECD predicted that the ASEAN economies will continue to be driven by a strong domestic market that is owned by the ASEAN countries. But the problem is the disparity in the balance of trade of ASEAN countries with CLMV countries. OECD predicts six ASEAN countries would have a positive trade balance trend, but the CLMV countries in the medium term, the balance of trade will still be in the negative zone (OECD, 2013). And of course, this disparity will also be a consideration for ASEAN countries that the future of the CLMV countries has the potential to be a burden. The following details were released OECD economic outlook related to the growth trend of ASEAN Countries.
CONCLUSION & RECOMMENDATION

Based on the explanation above, the process of ASEAN regionalism will face a challenge far more complex than anything that ever experienced by the European Union. It is increasingly complex with ASEAN fundamental factors which much more plural and the orientation pattern of pragmatism among ASEAN member countries. Where pragmatism has led to polarization of foreign policy among the member countries of ASEAN, especially over the issue of the South China Sea. Besides, among the ASEAN countries themselves do not have a consensus related to common enemy. With a variety of factors, we can see that the regionalization of ASEAN stands on a fragile foundation. Meanwhile, when ASEAN surpassed the breakthrough through the creation of the three pillars of ASEAN, and initiated a supranational regionalism models such as the EU, the authors saw that this would only be a platform for the tug of the interests of various parties, without their contribution to the development of regionalism in the future significantly.

The future due to increased tensions over the South China Sea, the authors noticed that the ASEAN in the future will only return to the original purpose of its formation, as a buffer area, which serves to contain hegemony of China. While regionalism skepticism about how far this will affect the process of regionalization, the authors consider that skepticism appears to be relatively lower than the EU. Its because as a result of the absence of the role of the mass media as an agent of skepticism, as shown in The Economist, BBC, and Reuters in Europe. But that does not mean skepticism is nothing, but to reflect on this context skepticism tends to spread mouth by mouth. However, if the prism of the history of the EU, the authors see ASEAN skepticism is an iceberg phenomenon, which is likely to reach saturation point as the start of the final stage of ASEAN regionalism, namely the establishment of a single monetary system.

To realize the ASEAN regionalism in the future, then ASEAN need a strong commitment among member states, to curb self-interest, and firmly position ourselves in a neutral position. To accomplish this, the ASEAN countries, especially major countries such as Indonesia to be more assertive to declare its neutrality, and avoid the position of gray through the concept of foreign policy of pragmatic like the concept of “Thousand Friends Zero Enemies” for a model like this, resulted in Indonesia and several ASEAN countries become as it were without character. Furthermore, in the context of regionalism character
and identity as a political unity is a very important thing. Then, the biggest obstacle of ASEAN is how to build a political will.
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THE IMPACT OF ASEAN INTERNATIONAL TRADE ON ECONOMIC GROWTH OF THAILAND

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ABSTRACT

The research objectives were to (1) investigate the situation of ASEAN international trade and (2) examine the impact of ASEAN International trade on economic growth of Thailand. The secondary data were gathered as data collection. Growth rate analysis and arithmetic mean were applied. The impact Thai-ASEAN international trade on economic growth was analyzed by econometric model. The research results were (1) since last 20 years, ASEAN international trade has been increased overtime, Thai net-export to ASEAN countries has been increased, and (2) there was positive impact of ASEAN International trade on economic growth of Thailand. The results also implied that every single of Thai-ASEAN net export value of 1 Million US dollar would make Thai economic growth increased by 4.22 Million US dollar. ASEAN international trade still has been the economic driver for Thai economy.

KEY WORDS: ASEAN International trade, economic growth

INTRODUCTION

Thailand is a newly industrialized country. Its economy is heavily export-dependent, with exports accounting for more than two-thirds of its gross domestic product (GDP). In 2014, according to the Office of the National Economic and Social Development Board, Thailand had a GDP of 92.11 trillion baht (US$366 billion). The Thai economy grew by 8.5 percent, (the Office of National Economic and Social Development Board, 2016) with a headline inflation rate of 3.02 percent and an account surplus of 0.7 percent of the country's GDP. In 2016, the Thai economy is expected to grow in the range of 3.8 to 4.3 percent (Bank of Thailand, 2016).

The industrial and service sectors are the main sectors in the Thai gross domestic product, with the former accounting for 39.2 percent of GDP. Thailand's agricultural sector produces 8.4 percent of GDP—lower than the trade and logistics and communication sectors, which account for 13.4 percent and 9.8 percent of GDP respectively. The construction and mining sector adds 4.3 percent to the country’s gross domestic product. Other service sectors including the financial, education and hotel and restaurant sectors account for 24.9 percent of the country's GDP. (Bank of Thailand, 2016).

In addition, telecommunications and trade in services are emerging as centers of industrial expansion and economic competitiveness (World Bank, 2016). Thailand is the second-largest economy in Southeast Asia with GDP per Capita of $5,490 (The Office of National Economic and Social Development, 2016). Thailand ranks second in Southeast
Asia in external trade volume, after Singapore. (World Trade Organization, 2016). Thailand has been the largest rice exporter in the world. Forty-nine percent of Thailand's labor force is employed in agriculture (Henri, M., Leturque, S., & Steve., 2010). Developments in agriculture since the 1960s have supported Thailand's transition to an industrialized economy (Henri, M., Leturque, S., & Steve., 2010).

As recently as 1980, agriculture supplied 70 percent of employment (Henri, M., Leturque, S., & Steve., 2010) In 2008, agriculture, forestry and fishing contributed 8.4 percent to GDP; in rural areas, farm jobs supply half of employment (Henri, M., Leturque, S., & Steve., 2010). Rice is the most important crop in the country and Thailand had long been the world's number one exporter of rice, until recently falling behind both India and Vietnam (International Grain Council, 2014). It is a major exporter of shrimp. Other crops include coconuts, corn, rubber, soybeans, sugarcane and tapioca (New York time, 2010).

Thailand is the world's third-largest seafood exporter. Overall fish exports were worth around US$3 billion in 2014, according to the Thai Frozen Foods Association. Thailand's fishing industry employs more than 300,000 persons (Lefevre, A., Sawitta, A., & Thepgumpunat, P., 2015) In 1985, Thailand designated 25 percent of its land area for forest protection and 15 percent for timber production. Forests have been set aside for conservation and recreation, and timber forests are available for the forestry industry. Between 1992 and 2001, exports of logs and sawn timber increased from 50,000 to 2,000,000 cubic meters per year. In 2001 industry contributed 50.3 percent of GDP, employing 16 percent of the workforce. Industry expanded at an average annual rate of 4.4 percent. The most important sub-sector of industry is manufacturing, which accounted for 38.5 percent of GDP in 2014. (Bank of Thailand, 2016).

Thailand’s strategic location makes it an investors’ gateway to Asia. It is at the center of most ASEAN countries, including Myanmar on the west, Cambodia and Lao PDR on the east, and Malaysia, Indonesia, and Singapore on the south. Being at the crossroads of ASEAN and other dynamic markets in Asia such as China and India, allows Thailand access to a burgeoning consumer population overseas aside from its equally huge population of almost 68 million people. Thailand offers investors world class infrastructure. Trade and business transactions are made easier through Thailand’s extensive highway system, modern city-wide mass transit, international airports, deep sea ports, and international river ports. As the hub of ASEAN, Thailand advocates for free and fair trade. It is instrumental in the formulation of the ASEAN Free Trade Area and a signatory to a number of other free trade agreements. Business opportunities in Thailand are abundant across several industries which include automotive, alternative energy, food, electrical & electronics, logistics, printing, yacht building, rubber industry, and so on. (Thailand Board of Investment, 2016).

In terms of International Trade between Thailand and Association of South East Asia Nations (ASEAN) known as Thai-ASEAN International Trade, ASEAN is a political and economic organization of ten Southeast Asian countries. It was formed on 8 August 1967 by Indonesia, Malaysia, the Philippines, Singapore, and Thailand (ASEAN-10 : Chalermpalanupap, T., 2013). Since then, membership has expanded to include Brunei, Cambodia, Laos, Myanmar (Burma), and Vietnam. Its aims include accelerating economic growth, social progress, and sociocultural evolution among its members alongside protection of regional stability and opportunities for member countries to resolve differences peacefully.(Thailand Board of Investment., 2007). ASEAN covers a land area
of 4.4 million square kilometers, 3 percent of the total land area of the Earth. ASEAN territorial waters cover an area about three times larger than its land counterpart. The member countries have a combined population of approximately 625 million people, 8.8 percent of the world’s population. In 2016, the organization’s combined nominal GDP had grown to more than US$2.6 trillion. If ASEAN were a single entity, it would rank as the seventh largest economy in the world, behind the US, China, Japan, Germany, France and the United Kingdom. ASEAN shares land borders with India, China, Bangladesh, East Timor, and Papua New Guinea, and maritime borders with India, China, and Australia.

From past to present, ASEAN International trade pay the crucial role on Thai economy. Thailand exports to ASEAN countries and Thailand imports from ASEAN countries. The difference between Thai export and import known as net export would obviously have impact on Thai economic growth. It is very important for this research to investigate the economic growth of Thailand and to examine the impact of ASEAN international trade on Thai economy growth.

LITERATURE REVIEW

International Trade and Economic Growth

These literature start with focusing on the attributes of international trade and economic growth and the impact of international trade and economic growth.

International trade and economic growth is a main focus for these research. According to Balassa (2015), they analyses the sources of economic growth in the period 1972–2014 for a group of semi-industrialized less developed countries. An analytical framework is developed, incorporating the possibility that marginal factor productivities are not equal in the international trade of the economy. Econometric analysis utilizing this framework indicates that marginal factor productivities are significantly higher in the export sector. The difference seems to derive, in part, from inter-sectoral beneficial externalities generated by the export sector. The conclusion is therefore that growth can be generated not only by increases in the aggregate levels of labor and capital, but also by the reallocation of existing resources from the less efficient non-export sector to the higher productivity export sector.

While, Jung, and Marshal (1995) have interpreted results in regressions of output variables on international trade variables as providing support for an import-export promotion development strategy. Such an interpretation is questionable since these regressions provide no means of determining the direction of causality. This paper performs causality tests between exports and growth for 37 developing countries. The results cast considerable doubt on the validity of the export promotion hypothesis.

Chow (1997) investigates the causal relationship between export growth and industrial development in eight Newly Industrializing Countries (NICs). Results of Sims’ causality test show that for most of the NICs, there is a strong bidirectional causality between the growth of exports and industrial development. These findings support the export-led growth strategy in that expansion in exports not only promote the growth of national income but also lead to structural transformation of the developing countries. While Tyler (2014) analyzes the empirical relationship between economic growth and export expansion in developing countries as observed through an intercountry cross-section.
Employing data from 55 middle income developing countries for the period 1985–2012, bivariate tests revealed significant positive associations between growth and various other economic variables including the growth of manufacturing output, investment, total exports, and manufacturing exports. A production function model was also specified and estimated with the cross-sectional data. The results indicated that export performance was important, along with capital formation, in explaining the intercountry variance in GDP growth rates during the 1985–2012 period.

The Relationship between International Trade and Economic Growth

Ahmad and Harnhirun (2012) conduct their research of cointegration and causality between international trade and economic growth: evidence from the ASEAN countries. They explain the relationship between international trade and economic growth occupies the center stage in development policy. While earlier regression results uncovered a positive correlation between international trade and economic growth, attention has now shifted to the direction causality. They investigate the causal relationship between international trade and economic growth for the five member countries of the Association of South East Asia Nations (ASEAN), namely Indonesia, Malaysia, the Philippines, Singapore and Thailand. The economic success of the Asian NICs (newly industrializing countries) has prompted all countries in the region to pursue aggressive export promotion strategies, and some countries have indeed achieved rapid economic growth. But the answer to the primary question as to whether export expansion causes economic growth remains obscure.

Ekanayake (2012) investigates exports and economic growth in Asian Developing Countries applying cointegration and Error-Correction Models in order to investigate the relationship between export growth and economic growth in eight Asian developing countries using annual data from 1990 to 2012. While conventional wisdom suggests that export growth contribute positively to economic growth, this study also provides strong evidence supporting the export-led growth hypothesis. The empirical results show that bi-directional causality exists between export growth and economic growth in India, Indonesia, Korea, Pakistan, Philippines, Sri Lanka and Thailand. There is also evidence for export-led growth in Malaysia. Furthermore, there is evidence for short-run Granger causality running from economic growth to export growth in all cases except Sri Lanka. However, there is no strong evidence for short-run causality running from export growth to economic growth.

H1. ASEAN International trade has positive impact on economic growth of Thailand.

RESEARCH OBJECTIVES

In this research, there were 2 research objectives:

1. To investigate the situation of ASEAN international trade
2. To examine the impact of ASEAN International trade on economic growth of Thailand.
CONCEPTUAL FRAMEWORK

The conceptual framework of this research was an adoption from Ahmad and Harnhirun (2012). The international trade which composed of import and export between Thailand and ASEAN member countries had significantly impact on economic growth of Thailand.

Figure 1. Conceptual Framework

METHODOLOGY

Data Collection

The secondary data were collected from time series data from 1996 to 2014. Data were collected from the Data Base of Bank of Thailand, Custom department of Thailand, the Office of Economic Development and National Society, and Board of Investment of Thailand.

Data analysis

Analysis the growth rate of Gross Domestic Product (GDP) of Thailand, import, export and net export of ASEAN countries. The descriptive statistics was applied percentage and arithmetic mean. While time series data analysis was comprised of unit root test, Dickey Fuller Test, Augmented Dickey Fuller, Cointegration Test, and Error Correction Model. While the impact Thai-Asian international trade on economic growth was constructed by econometric model. The impact of ASEAN international trade on economic growth of Thailand could be estimated as the below equation:

\[(Eco\ Growth)_t = \alpha_0 + \alpha_1*(Aint\ Trade)_t + error\ term\]

Where:

\(Eco\ Growth_t = \) Economic Growth of Thailand at year t

\(Aint\ Trade_t = \) ASEAN International Trade Value at year t

\(\alpha_0, \alpha_1 = \) Estimated Parameters
RESULTS

The research results could be expressed as the following research objectives. The 1\textsuperscript{st} part of research result would explain the situation of ASEAN international trade and its trend as below;

1. The situation of ASEAN international trade from 1996 to 2014

1.1 Gross Domestic Product of Thailand

The research results found that Thai Gross Domestic Product (GDP) from 1996 to 2014 has been increased over time with the average of GDP of 6,861.64 Billion, and the average growth rate of GDP of 3.13 percent. The research finding also found that since 1996 to 2014, the trend of Gross Domestic Product has been increased over time. (Table 1. and Figure 2, 3)
Table 1.

*Gross Domestic Product of Thailand and Its Growth Rate from 1996 to 2014 (billion Thai baht)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Domestic Product (GDP)</th>
<th>GDP Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>5,355.30</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>5,207.90</td>
<td>-2.75</td>
</tr>
<tr>
<td>1998</td>
<td>4,810.30</td>
<td>-7.63</td>
</tr>
<tr>
<td>1999</td>
<td>5,030.30</td>
<td>4.57</td>
</tr>
<tr>
<td>2000</td>
<td>5,254.40</td>
<td>4.46</td>
</tr>
<tr>
<td>2001</td>
<td>5,435.40</td>
<td>3.44</td>
</tr>
<tr>
<td>2002</td>
<td>5,769.60</td>
<td>6.15</td>
</tr>
<tr>
<td>2003</td>
<td>6,184.40</td>
<td>7.19</td>
</tr>
<tr>
<td>2004</td>
<td>6,573.30</td>
<td>6.29</td>
</tr>
<tr>
<td>2005</td>
<td>6,848.60</td>
<td>4.19</td>
</tr>
<tr>
<td>2006</td>
<td>7,188.80</td>
<td>4.97</td>
</tr>
<tr>
<td>2007</td>
<td>7,579.60</td>
<td>5.44</td>
</tr>
<tr>
<td>2008</td>
<td>7,710.40</td>
<td>1.73</td>
</tr>
<tr>
<td>2009</td>
<td>7,653.40</td>
<td>-0.74</td>
</tr>
<tr>
<td>2010</td>
<td>8,228.00</td>
<td>7.51</td>
</tr>
<tr>
<td>2011</td>
<td>8,296.50</td>
<td>0.83</td>
</tr>
<tr>
<td>2012</td>
<td>8,896.50</td>
<td>7.23</td>
</tr>
<tr>
<td>2013</td>
<td>9,136.90</td>
<td>2.70</td>
</tr>
<tr>
<td>2014</td>
<td>9,211.60</td>
<td>0.82</td>
</tr>
<tr>
<td>Average</td>
<td>6,861.64</td>
<td>3.13</td>
</tr>
</tbody>
</table>

2. Growth Rate of Gross Domestic Product by Calculation.
Figure 2. Gross Domestic Product of Thailand from 1996 to 2014

![GDP Graph](image)


Figure 3. The Growth Rate of Gross Domestic Product of Thailand from 1996 to 2014

![GDP Growth Rate Graph](image)

Source. Calculation.

1.2 The Value of Thai export to ASEAN member countries

The research results showed that Thai export to ASEAN countries from 1996 to 2015 has been increased over time with the average of export value of 11,940 Billion, and the average growth rate of export value from Thailand to ASEAN market was 4.25 percent. The research finding also revealed that since 1996 to 2015, the trend of Thai export has been increased (Table 2, Figure 4, 5).

According to Table 1, Figure 1 and Figure 2, Thai GDP 1996 to 2014 increased over time.
Table 2.

The Value of Thai Exported to ASEAN Countries from 1996-2015 (billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports (billion)</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>436.08</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>459.20</td>
<td>5.035</td>
</tr>
<tr>
<td>1998</td>
<td>356.24</td>
<td>-28.902</td>
</tr>
<tr>
<td>1999</td>
<td>391.46</td>
<td>8.998</td>
</tr>
<tr>
<td>2000</td>
<td>485.93</td>
<td>19.440</td>
</tr>
<tr>
<td>2001</td>
<td>453.59</td>
<td>-7.130</td>
</tr>
<tr>
<td>2002</td>
<td>488.48</td>
<td>7.142</td>
</tr>
<tr>
<td>2003</td>
<td>593.49</td>
<td>17.694</td>
</tr>
<tr>
<td>2004</td>
<td>764.58</td>
<td>22.377</td>
</tr>
<tr>
<td>2005</td>
<td>878.05</td>
<td>12.923</td>
</tr>
<tr>
<td>2006</td>
<td>972.79</td>
<td>9.739</td>
</tr>
<tr>
<td>2007</td>
<td>1,180.50</td>
<td>17.595</td>
</tr>
<tr>
<td>2008</td>
<td>1,445.47</td>
<td>18.331</td>
</tr>
<tr>
<td>2009</td>
<td>1,169.60</td>
<td>-23.586</td>
</tr>
<tr>
<td>2010</td>
<td>1,595.51</td>
<td>26.694</td>
</tr>
<tr>
<td>2011</td>
<td>1,945.58</td>
<td>17.993</td>
</tr>
<tr>
<td>2012</td>
<td>4,003.95</td>
<td>51.408</td>
</tr>
<tr>
<td>2013</td>
<td>2,135.14</td>
<td>-87.526</td>
</tr>
<tr>
<td>2014</td>
<td>2,138.89</td>
<td>0.175</td>
</tr>
<tr>
<td>2015</td>
<td>1,985.57</td>
<td>-7.722</td>
</tr>
<tr>
<td>Average</td>
<td>1,194.01</td>
<td>4.25</td>
</tr>
</tbody>
</table>

2. Growth Rate: Calculation.
Figure 4. The Value of Thai Exports from 1996 to 2015

Source. Bank of Thailand and Customs Department of Thailand, 2016.

Figure 5. Growth Rate of Thai Export from 1996 to 2015

Source. Calculation.
1.3 The Value of Thai import from ASEAN member countries

The research results expressed that Thai import from ASEAN member countries from 1996 to 2015 has been increased over time with the average of import value of 871.99 Billion, and the average growth rate of import value was 3.36 percent. The research finding also found that from 1996 to 2015 Thai import value from ASEAN member countries has been increased, while it has been decreased from 2011 to 2015 (Table 3, and Figure 6,7).

Table 3.

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Import Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>347.03</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>293.05</td>
<td>-18.42</td>
</tr>
<tr>
<td>1998</td>
<td>230.27</td>
<td>-27.26</td>
</tr>
<tr>
<td>1999</td>
<td>284.65</td>
<td>19.11</td>
</tr>
<tr>
<td>2000</td>
<td>372.46</td>
<td>23.58</td>
</tr>
<tr>
<td>2001</td>
<td>360.50</td>
<td>-3.32</td>
</tr>
<tr>
<td>2002</td>
<td>389.47</td>
<td>7.44</td>
</tr>
<tr>
<td>2003</td>
<td>449.64</td>
<td>13.38</td>
</tr>
<tr>
<td>2004</td>
<td>570.02</td>
<td>21.12</td>
</tr>
<tr>
<td>2005</td>
<td>778.47</td>
<td>26.78</td>
</tr>
<tr>
<td>2006</td>
<td>849.56</td>
<td>8.37</td>
</tr>
<tr>
<td>2007</td>
<td>902.45</td>
<td>5.86</td>
</tr>
<tr>
<td>2008</td>
<td>1085.05</td>
<td>16.83</td>
</tr>
<tr>
<td>2009</td>
<td>889.21</td>
<td>-22.02</td>
</tr>
<tr>
<td>2010</td>
<td>1093.03</td>
<td>18.65</td>
</tr>
<tr>
<td>2011</td>
<td>1337.64</td>
<td>18.29</td>
</tr>
<tr>
<td>2012</td>
<td>2841.70</td>
<td>52.93</td>
</tr>
<tr>
<td>2013</td>
<td>1504.73</td>
<td>-88.85</td>
</tr>
<tr>
<td>2014</td>
<td>1477.06</td>
<td>-1.87</td>
</tr>
<tr>
<td>2015</td>
<td>1383.88</td>
<td>-6.73</td>
</tr>
<tr>
<td>Average</td>
<td>871.99</td>
<td>3.36</td>
</tr>
</tbody>
</table>

Source. 1. Import: Bank of Thailand and Customs Department of Thailand, 2016.
2. Import Growth Rate (%): Growth Rate of Export from Calculation.
According to the research results, the value of Thai net-export from 1996 to 2014 has been increased over time with the average of net-export value of 307.29 Billion, and the average growth rate of net-export value to ASEAN member countries was 2.62 percent. The finding also found that since 1996 to 2014, the trend of net-export has been increased over time (Table 4, Figure 8, 9).
Table 4.

The Value of Net Export of Thailand and Its Growth Rate from 1996 to 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Exports (billion)</th>
<th>Net Export Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>89.06</td>
<td>46.40</td>
</tr>
<tr>
<td>1997</td>
<td>166.16</td>
<td>-31.90</td>
</tr>
<tr>
<td>1998</td>
<td>125.97</td>
<td>-17.94</td>
</tr>
<tr>
<td>1999</td>
<td>106.81</td>
<td>5.87</td>
</tr>
<tr>
<td>2000</td>
<td>113.47</td>
<td>-21.89</td>
</tr>
<tr>
<td>2001</td>
<td>93.09</td>
<td>5.98</td>
</tr>
<tr>
<td>2002</td>
<td>99.01</td>
<td>31.18</td>
</tr>
<tr>
<td>2003</td>
<td>143.85</td>
<td>26.06</td>
</tr>
<tr>
<td>2004</td>
<td>194.55</td>
<td>-95.38</td>
</tr>
<tr>
<td>2005</td>
<td>99.58</td>
<td>19.19</td>
</tr>
<tr>
<td>2006</td>
<td>123.23</td>
<td>55.68</td>
</tr>
<tr>
<td>2007</td>
<td>278.05</td>
<td>22.86</td>
</tr>
<tr>
<td>2008</td>
<td>360.42</td>
<td>-28.54</td>
</tr>
<tr>
<td>2009</td>
<td>280.40</td>
<td>44.20</td>
</tr>
<tr>
<td>2010</td>
<td>502.48</td>
<td>17.35</td>
</tr>
<tr>
<td>2011</td>
<td>607.94</td>
<td>47.69</td>
</tr>
<tr>
<td>2012</td>
<td>1162.25</td>
<td>-84.37</td>
</tr>
<tr>
<td>2013</td>
<td>630.41</td>
<td>4.75</td>
</tr>
<tr>
<td>2014</td>
<td>661.82</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>307.29</td>
<td>2.62</td>
</tr>
</tbody>
</table>

Source. 1. Net Exports: Calculation.

Figure 8. Value of Net Exports from Thailand from 1996 to 2014

Source. Calculation.


Figure 9. Growth rate of Net Exports from Thailand from 1996 to 2014

Source. Calculation.

1.5 The impact of net export on economic growth of Thailand

According to the research results, there was positive impact of Net Export, as they represent the ASEAN international trade, on Economic Growth of Thailand. The research results showed in equation 1 expressed that every one single 1 billion net export led to the economic growth rate of Thailand 4.22 billion. It could make the conclusion that Thai net export could be the economic driver for Thai economy. The royal Thai government as well as the private sector would concern about that. The impact of net export on economic growth of Thailand could be expressed as equation 1. Also, the statistical output could be expressed as Table 5.

\[ \text{Eco Growth}_t = 5,564,067.648 + 4.22(Aint Trade)_t + \text{error term} \]  

\( t \)-value (18.42)** (5.80)**

\( R^2 \) .989

\( F \) 33.67

** Statistical significance at 99 percent
Table 5.

<table>
<thead>
<tr>
<th>The Impact of Net Exports on Economic Growth of Thailand</th>
<th>Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>5,564,067.648</td>
</tr>
<tr>
<td>Net Export</td>
<td>4.22</td>
</tr>
<tr>
<td>T-value</td>
<td></td>
</tr>
<tr>
<td>18.42</td>
<td>0.00001</td>
</tr>
<tr>
<td>5.80</td>
<td>0.00001</td>
</tr>
<tr>
<td>F</td>
<td></td>
</tr>
<tr>
<td>33.67</td>
<td>0.00001</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.989</td>
</tr>
</tbody>
</table>

*Source.* Calculated from Bank of Thailand’s Data.

CONCLUSION AND RECOMMENDATIONS

According to the research results, the Gross Domestic Product of Thailand trended to be increased. Thai Export to ASEAN countries has also been increased. The Thai Import from ASEAN countries has been increased from 1996 to 2011 while it has been declined from 2011 to 2015. This led to the Thai net-export value has been increased since 1996. Thai net-export to ASEAN countries had positive impact on the growth rate of Thai economy. It could be concluded that Thai net-export to ASEAN countries functioned as the economic driver of Thai economy. It would make Thai economy enlarge.
REFERENCES


ENFORCEABILITY OF KNOCK-FOR-KNOCK INDEMNITIES IN OILFIELD SERVICE CONTRACTS IN THAILAND

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ABSTRACT

This research addresses the issue of enforceability of mutual indemnity and hold harmless clauses (MIHH) pertaining to bodily injury and death in oilfield service contracts in Thailand. Thai Unfair Contract Terms Act B.E. 2540 (A.D. 1997) (“TUCTA”) prohibits a contracting party to restrict or exclude liabilities pertaining to bodily injury and death arising from his negligence. This restriction might be thought to have an effect of hampering the risk allocation. Similar restriction contains under the Unfair Contract Terms Act 1977 (“UCTA”). However, by virtue of the Supreme Court decision in Farstad Supply A/S VS Enviroco Ltd [2011] UKSC 16, the MIHH could be enforceable despite the restriction. Nevertheless, the IMHH will be subject to the reasonableness test under UCTA. Thus, it could be argued that in spite of the restriction under TUCTA, the IMHH in standard form oilfield service contracts e.g., LOGIC could still be enforceable in Thailand, subject to certain limitations.

KEY WORDS: Oilfield service contracts, oil and gas, law, Thailand

INTRODUCTION

The oil and gas industry has developed model forms of contracts which address the allocation of risk among the common participants of offshore projects (Andrade, 2011). The principal major hazard risks in the oil and gas industry have caused the death of many offshore workers that were triggered by fire and explosion associated with hydrocarbon releases and loss of structural integrity and stability especially in dealing with construction works (“Offshore Oil & Gas Sector Strategy 2014 to 2017,” 2014). Therefore, the model form offers certain options of standard provisions that regulate the project parties’ liabilities in a way that achieves fair but most importantly, efficient practical results.

In the LOGIC standard forms of contracts for the oil and gas industry, reciprocal indemnity is simply referred to as “Indemnities” (Network, 1997). In this arrangement, each of the party will agree to bear the liability respectively with regards to the death or personal injury of its own personnel and the damages of the party’s property, regardless of
the tortious act which has been committed or the breach of contractual duty by the other party, except in the event of wilful misconduct or sole negligence of the indemnitee (W. Williams, 2014). Such arrangement is called reciprocal indemnities and mutual hold harmless. It is also well known in the oil and gas industry as the knock-for-knock regime.

**RESEARCH METHODOLOGY**

The methodology employed in this research will be a comparative analysis which will be carried out in a descriptive, analytic and prescriptive manner.

**LOGIC STANDARD FORMS**

LOGIC stands for Leading Oil & Gas Industry Competitiveness, is a non-profit subsidiary of Oil & Gas UK and its objective is to promote United Kingdom Continental Shelf (UKCS) competitiveness remains current and was carried forward into the work of the PILOT Taskforce, a collaborative partnership of oil and gas industry operators, suppliers and the UK Government (LOGIC, 2016). LOGIC publishes several standard forms of contracts to be used in marine construction contracts within the petroleum industry (Martin & Park, 2010). For construction contracts, LOGIC has produced a set of General Conditions for Marine Construction (the ‘Model Construction Contract’), 2004 Edition.

The Model Construction Contract is intended for use in an offshore context and specifically for pipe laying, offshore installation, subsea construction and inspection, repair and maintenance operations. It is similar in overall form and content to Engineering, Procurement, Construction and Installation (EPCI) contracts, which are frequently used by operators in South/Southeast Asia to deliver ‘turnkey’ solutions for offshore infrastructure projects and could be used as a basis for these with appropriate amendments (Hewitt, 2010).

**Knock-for-Knock Indemnities**

Under the LOGIC model forms, the allocation of liability is set out by the knock-for-knock regime. Knock-for-knock indemnities or reciprocal indemnity or sometimes known as mutual hold harmless provisions are believed to represent the best and most efficient model of risk allocation and liability distribution for construction contracts and oilfield services contracts (Ligon & Thistle, 2005). Provisions of this kind have also been incorporated into most model forms developed by independent associations and major players in both industries in the recent years. The adoption of this common approach to risk allocation is highly desirable as it simplifies contract negotiation, facilitates the administration of contracts and ultimately contributes to cost savings (Franklin, 2005). It is not an unusual practice under this contractual arrangement that both parties take out insurance in order to compensate the risks which have been assumed by each party as well as to diminish and eliminate the prospect of any claims resulted from negligence (Franklin, 2005). According to Hewitt (2010).
The knock-for-knock regime has also been widely adopted in South/ South East Asia. Each party to the contract agrees to take responsibility for, and to indemnify the other against, injury and loss to its own personnel and property and its own consequential losses. These cross-indemnities are usually intended to be effective even if the losses arose because of the negligence, breach of statutory duty or breach of contract of the party receiving the benefit of the indemnity. It is also common in standard contracts for each party to indemnify the other not only against its own losses but also against those of members of its ‘group’, which is usually defined to include, in the case of the contractor group, the contractor’s employees, affiliates, agents and subcontractors and, in the case of the company, the company’s employees, affiliates, co-venturers and other contractors engaged by the company to provide services in relation to the relevant area of operations.

(Hewitt, 2010)

Since the LOGIC standard form is widely used in Southeast Asia, such as Indonesia, Malaysia, Thailand and Vietnam, therefore it is necessary to look into how the national law of these regions reacts to the knock-for-knock regime. However, this paper focuses only on Thai law. It is also important to consider the English law in the discussion since LOGIC standard form was established and widely used in the UK. In this respect, the experience of English law dealing with the knock-for-knock regime will be considered as a reference to hypothetical events.

A COMPARATIVE ANALYSIS: ENFORCEABILITY OF KNOCK-FOR-KNOCK INDEMNITIES IN THAILAND AND UNITED KINGDOM

Enforceability of Knock-for-Knock Indemnities in Thailand

Section 4 of the Thai Unfair Contract Terms Act B.E. 2540 (A.D. 1997) (“TUCTA”) provides that the terms of a standard form contract which render the party prescribing the standard form contract an unreasonable advantage over the other party shall be regarded as unfair contract terms, and shall only be enforceable to the extent that they are fair and reasonable according to the circumstances. This research addresses the issue of enforceability of knock-for-knock regime of the LOGIC model forms under Thai law.

Hewitt (2010) maintains that TUCTA makes an exemption of liability clauses are void insofar as they restrict or exclude liability for personal injury or death caused deliberately or negligently, and are otherwise valid only insofar as is fair and reasonable in all the circumstances. In this regard, section 8 of TUCTA limits the use of exclusion clauses. The section provides that any contractual terms which exclude or restrict liability for tort or breach of contract respecting the loss of life, body or health of another person as a result of an action deliberately or negligently committed by the person making the terms shall not be raised as an exclusion or restriction of the liability. Additionally, section 8 of TUCTA also makes that any terms which exclude or restricts the liability, in any case, other than the preceding which are not void shall only be enforceable to the extent that they are fair and reasonable according to the circumstances.
Enforceability of Knock-for-Knock Indemnities in United Kingdom

In the UK, there is a similar statute which is akin to TUCTA known as UK Unfair Contract Terms Act 1977 (“UCTA”). Section 2 of UCTA provides that:

1. A person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his liability for death or personal injury resulting from negligence.

2. In the case of other loss or damage, a person cannot so exclude or restrict his liability for negligence except in so far as the term or notice satisfies the requirement of reasonableness.

Meanwhile, section 3 of UCTA provides that the section applies as between contracting parties where one of them on the other’s written standard terms of business. Since LOGIC is a contract under standard terms of business, the terms will be governed by UCTA (Zulhafiz, 2015).

The scope and restriction of UCTA and TUCTA, which relate to indemnity and hold harmless clauses, are set out in the table below:

**UCTAT and UCTA**

*Scope of the Act*

**Section 3.**

*Liability Arising in Contract*

1. This section applies as between contracting parties where one of them deals as consumer or on the other’s written standard terms of business.

**Section 1.**

The terms in a contract between the consumer and the business, trading or professional operator or in a standard form contract or in a contract of sale with right of redemption which render the business, trading or professional operator or the party prescribing the standard form contract or the buyer an unreasonable advantage over the other party shall be regarded as unfair contract terms, and shall only be enforceable to the extent that they are fair and reasonable according to the circumstances.

*Restriction on Exclusion of Liability*

**Section 1**

3. In the case of both contract and tort, sections 2 to 7 apply (except where the contrary is stated in section 6(4)) only to business liability, that is liability for breach of obligations or duties arising—
(a) from things done or to be done by a person in the course of a business (whether his own business or another’s).

Section 8

The terms, announcement or notice made in advance to exclude or restrict liability for tort or breach of contract respecting loss of life, body or health of another person as a result of an action deliberately or negligently committed by the person making the terms, announcement or notice or by other person for which the person making the terms, announcement or notice shall also be liable, shall not be raised as an exclusion or restriction of the liability.

The terms, announcement or notice made in advance to exclude or restrict the liability in any case other than that mentioned in paragraph one which is not void shall only be enforceable to the extent that they are fair and reasonable according to the circumstances.

Section 2

Negligence Liability.

1. A person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his liability for death or personal injury resulting from negligence.

2. In the case of other loss or damage, a person cannot so exclude or restrict his liability for negligence except in so far as the term or notice satisfies the requirement of reasonableness.

DISCUSSION

In the English case of Farstad Supply A/S v Enviroco Ltd [2011] UKSC 16, it has been argued that the Supreme Court’s decision in that case has implications towards the application of indemnity clauses in oil and gas contracts (Gordon, 2011). The reason is that, according to Lord Mance in Farstad.

[...]he language therefore operates as a series of indemnities against third party exposure combined with exclusions of direct exposure to the other contracting party. This is both what the heading of clause 33 and what common commercial sense would lead one to expect under a scheme clearly intended to divide risk between the contracting parties.

On this point, Gordon (2011) explains that the most obvious potential consequence would appear to be that the Unfair Contract Terms Act 1977 (“UCTA”) will now become engaged. UCTA had hitherto been largely overlooked by the oil and gas industry as the restrictions imposed upon the use of indemnity clauses apply only when the indemnifying party deals as a consumer. However, as indemnity and hold harmless clauses would now appear to function as exclusion clauses when they operate in the context of ‘direct exposure to the other contracting party’, the various restrictions imposed by UCTA now need to be considered. Thus, if a party wishes to rely upon an indemnity and hold harmless clause to regulate losses which, in Lord Mance’s formulation, fall into the category of
direct exposure to the other contracting party, it will have to demonstrate that the provision satisfies UCTA’s requirements. (Gordon, 2011).

Based on the above discussion, it is important to note that, indemnity and hold harmless clauses pertaining to bodily injury and death could be enforceable in the UK despite the restriction under section 2 of UCTA. This is because the clauses pertaining to bodily injury and death are to be operated in its original function as indemnities against third party exposure. Hence, UCTA is not applicable.

In contrast, any part of the clauses which deals with the operator’s property or the property of the contractor, for instance, damage to property owned by that party or consequential loss suffered by it, would be considered as exclusion clauses in the context of direct exposure to the other contracting party (Zulhafiz, 2015). Therefore, the parties must ensure that such clause should have fulfilled the reasonableness test under Section 3 of UCTA.

Applying the above scenario into the context of Thai law, it could be argued that indemnity and hold harmless clauses pertaining to bodily injury and death could be enforceable in Thailand despite the restriction under section 8 of TUCTA. It is worth noting that, even though section 8 of TUCTA provides that ‘any contractual terms which exclude or restrict liability for tort or breach of contract respecting loss of life, body or health of another person as a result of an action deliberately or negligently committed by the person making the terms shall not be raised as an exclusion or restriction of the liability’, according to the Farstad, the clauses should be treated as indemnity clauses and not exclusion clause. In this case, TUCTA will not be applicable. Thus, knock-for-knock indemnities pertaining to bodily injury and death could be enforceable in Thailand.

On the other hand, it could be argued that indemnity and hold harmless clauses which deal with the operator’s property or the property of the contractor will only be enforceable, subject to certain limitations. The reason is that, under section 8 of TUCTA, it also provides any terms which excludes or restricts the liability in any case other than loss of life, body or health of another person as a result of an action deliberately or negligently committed by the person making the terms which are not void shall only be enforceable to the extent that they are fair and reasonable according to the circumstances. In other words, it could be said that in order for indemnity and hold harmless clauses pertaining to loss and damage to property to be enforceable in Thailand, these clauses have to pass the requirements of ’fair and reasonable’ under section 8 of TUCTA.

That said, it could also be argued that the knock-for-knock indemnity clauses could be regarded as ‘fair.’ This is because, the clauses provide mutual indemnities to contracting parties. Additionally, it can also be seen as ‘reasonable’ since the knock-for-knock indemnities reflect the practice of the oil and gas (Cameron, 2012). For example, in the UK, the House of Lord in the English case of Caledonia North Sea Ltd v London Bridge Engineering Ltd [2002] 1 Lloyd’s Rep 553 acknowledged the popularity and enforceability of the offshore industry practice of the knock-for-knock regime. Therefore, it could be argued that the knock-for-knock indemnity is ‘fair and reasonable’ under section 8 of TUCTA. Besides, it may also be argued that since LOGIC is the standard form of contract, which the terms provide reciprocal indemnities, it could be said these clauses do not have an element of 'unreasonable advantage over the other party' under section 4 of TUCTA.
Despite the above arguments, it is important to note that, unlike the English legal system which is based on the common law, the Thai legal system is based on the civil law. Under the civil law, judges make decisions in a particular case based on the relevant statutes, in which case law are persuasive and not binding. That said, the Supreme Court’s decision in Farstad is noteworthy since it affects the practice of knock-for-knock indemnity in the oil and gas industry. In this regard, the Thai Court may learn from the result of that case.

Indemnity and hold harmless clauses should not be treated as exclusion clauses. It could be argued that it is inappropriate for the court to go beyond that and treat indemnity and hold harmless clauses in the same way as exclusion clauses. The reason for this is that, indemnity clauses are used by the parties to oilfield service contracts to allocate risk. This is true for knock-for-knock indemnities, in which parties do not used the mutual indemnity and hold harmless clauses to entirely exclude risk. Instead, the parties may use the clauses to partly eliminate the risk.

Therefore, the difference between an exclusion clause and an indemnity clause is that the exclusion clause may entirely remove liability for the party who seeks for such exclusion. Moreover, the effectiveness of exclusion clause does not depend on the financial position of the other party (Koffman & Macdonald, 2010).

CONCLUSION

In a nutshell, according to Farstad, the knock-for-knock indemnity would be enforceable in Thailand. The enforceability, however, is subject to certain limitations. Any part of indemnity and hold harmless clauses pertaining to bodily injury and death would be enforceable since the clause was regarded to operate in its own original function. On the other hand, any part of the clauses that pertain to loss and damage to property was considered to serve as an exclusion clause. Therefore, for the clause to be enforceable, it will be subject to the requirement of ‘fair and reasonable’ under TUCTA.

Even though the Farstad is not directly relevant to Thai law; the case can be said to represent a hypothetical situation where indemnity and hold harmless clauses in oil and gas contracts can be operated as exclusion clauses. As a result, the provisions will be caught by general statutes, such as UCTA and TUCTA. That said, it is important to note that an actual outcome of whether the knock-for-knock indemnities are enforceable in Thailand can only be seen after a real case has been tested in the Thai court.
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