

## Subsidised Cooking Oils Misappropriation and Smuggling: A Case Study

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To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v13-i15/18672> DOI:10.6007/IJARBSS/v13-i15/18672

**Published Date:** 04-10-2023

### Abstract

In this globalisation world, goods and products pricing is very competitive. Each country faced challenges in providing for the needs of its people. Malaysia is a middle-income country with a capacity population of 32.37 million people. Malaysia is one of the most open economies globally, with a trade to Gross Domestic Product (GDP) ratio averaging over 130% since 2010. Openness to trade and investment has been instrumental in employment creation and income growth. After the Asian financial crisis of 1997-1998, Malaysia's economy has been on an upward trajectory, averaging growth of 5.4% since 2010. With the increasing cost of living, the government is concerned about providing subsidies to reduce the burden on Malaysian citizens. There are six commodities: refined petroleum products, cooking oils, sugar, rice, wheat flour, and fertilizers. Most necessities such as rice, the cooking oils used for cooking, and petrol for daily transport are subsidised by the Malaysia Government. The implementation of subsidies is expected to reduce the cost of living for Malaysians. Nevertheless, the issue of smuggling is one of the problems the Malaysian government faces at the country's borders. The Malaysian government loses millions of ringgits a year due to the misappropriation and smuggling of subsidised cooking oils. We use a qualitative case study to determine the misappropriation and smuggling modus operandi involving subsidised cooking oils. The research obtains the data by document analysis; online news from January 2021 to May 2021. Besides intelligence sources, cases under the Control of Supplies Act 1961,

interviews, and previous auditing reports were obtained from 2017 until May 2021. The researchers disclosed the misappropriation and smuggling modus operandi involving subsidised cooking oils that can be referred to the government in eradicating this issue.

**Keywords:** Oil Smuggling, Cooking Oils, Misappropriation, Commodities, Economy.

### **Introduction**

The Malaysian government provides subsidies for six commodities: refined petroleum products, cooking oils, sugar, wheat flour, rice, and fertilisers. The website Ministry of Finance of Malaysia stated that for cooking oil products, the Malaysian government has allocated RM949.4 million, or 16.5% of the total subsidy received by the six commodities. The subsidies given to Malaysian citizens aim to reduce the citizen's burden due to the increasing cost of living every year. The subsidies have been allocated to cooking oil, one scheduled article under the Control of Supplies Act 1961. Due to the higher price of non-subsidy cooking oils in the market, the syndicate commits misappropriation and smuggling activities to gain a high profit. Smuggling is one of the problems faced by the Malaysian government at the country's borders (Mohd Zainol et al., 2019). According to (Rahim et al., 2015), the leakage of national income due to smuggling activities is too huge, involving millions of ringgits. Smuggling, especially involving scheduled articles, is illegal and can affect the country's economy, integrity, and sovereignty (Khairul Anuar, 2016). Nowadays, the Ministry of Domestic Trade and Consumer Affairs or Kementerian Perdagangan Dalam Negeri dan Hal Ehwal Pengguna (KPDNHEP) Malaysia collaborates with other Law Enforcement Agencies (LEA) to tackle the smuggling issues at the border. The scope of this research is a qualitative case study to understand the misappropriation and smuggling activity involving subsidised cooking oils that occur in Malaysia. This research focused only on subsidised cooking oils, one of the scheduled articles under the Control of Supplies Act 1961. The data collection is from the online news from January 2021 to May 2021 and internal information from KPDNHEP.

### **Literature Review**

#### **Subsidy Scheme**

The cost of living is increasing today, and the government is concerned about providing subsidies to reduce the burden on Malaysian citizens. There are six commodities: refined petroleum products, cooking oils, sugar, rice, wheat flour, and fertilisers. Most necessities such as rice, the cooking oils used for cooking, and petrol for daily transport are subsidised by the Malaysian Government. The implementation of subsidies is expected to reduce the cost of living of Malaysian citizens through financing allocation for the six commodities. Subsidies are not entirely financed but at least can ease the burden of the Malaysian citizen. There are also fertilizer subsidies that focus on the farmers (Kari, 2018) and diesel for anglers (Chiat Lee & Viswanathan, 2019). Most subsidies are given through agriculture as a starting point for farmers to develop agricultural activities. Subsidies are also given in price controls such as petrol and Liquefied Petroleum Gas (LPG) prices because petrol prices will be higher without subsidies according to open market float prices (Loo & Harun, 2019). The implementation of the subsidies scheme makes the actual goods price cheaper and more enjoyable for Malaysian citizens, especially those with low and medium incomes.

#### **Definition of Misappropriation**

Misappropriation can be a crime and a civil offence (Nute, 2019). In other words, misappropriation is the act of allocating something for misuse or dishonesty. Related to the effectiveness of the law associated with the types of misappropriation that occur in society, the enactment of the law can be viewed from various perspectives, such as philosophical, juridical, normative, and sociological perspectives and philosophical perspectives (Trevino, 2017). Falsifying documents involving government and private agencies can negatively impact the harmony and security of society.

### **Definition of Smuggling**

Smuggling is the criminal offence of bringing into or removing prohibited goods from a country or avoiding paying taxes such as cooking oils, cigarettes, liquor, sugar, petrol, and diesel. Smuggling activities across national borders are nothing new. This issue has been around for a long time and is evidenced by the detention of the individuals involved and the seizures revealed in the news. Most of the smugglers were led by locals as stated in the New Straits Times article on 3rd November 2019 (Abdullah, 2019). They conspired with the people in neighbouring countries in the process of distribution. The group usually consists of local Malaysian and Thai people to facilitate communication. Goods smuggled from Malaysia such as cooking oils, cigarettes, liquor, sugar, petrol, and diesel are in high demand (Buchanan, 2018). Besides, there is a high demand for drugs from Malaysia, such as ketum leaves and cough medicine, while Thailand is drug-related, such as syabu, marijuana, and other drugs (Kanato et al., 2016). The government's subsidised scheduled articles or goods are usually cheaper in Malaysia (Yahoo et al., 2017). High demand causes this problem to linger and be difficult to control. The smugglers took the opportunity to make a high profit due to the price dispute that occurred at a price set by the authorities. For example, lower rice prices in Thailand led to the smuggling of rice from Thailand into Malaysia, while lower prices of sugar, cooking oils, and petrol in Malaysia led to the smuggling into Thailand, as well as the existence of many 'rat paths' on the country's borders such as long forest areas and sea areas (Ahmad et al., 2017).

The factors of poverty and scarcity of life have caused this naive and uneducated group of people to take the easy way out to find wealth (Anuar & Harun, 2020). Different trade control laws between neighbouring countries are also a major cause of smuggling (Young, 2016). The geographical factor between Malaysia and neighbouring countries is another cause of smuggling, as happened on the border of Malaysia with Thailand, which is only separated by a river that is a few meters wide. National security and enforcement forces such as customs and police do not have the power to seize the goods in the river because they are bound by international water laws (Caponera & Nanni, 2019).

### **The Effect of Smuggling in Malaysia**

Abbreviations The Malaysian government is facing losses due to the smuggling of cooking oils from Malaysia to Thailand every day. The activity is widespread as subsidised cooking oil is cheap in Malaysia and sold at higher prices according to the market in Thailand. The Malaysian government has allocated a subsidy for cooking oil based on the fluctuating market price of cooking oils per kilogram (The Malaysian Reserve, 2017). The Malaysian government also loses millions of ringgits a year due to smuggling other goods from foreign countries into Malaysia (Malay Mail, 2019). As a result, national income is declining. The smuggling of goods can affect a country's image from a foreign perspective (Gonzalez et al., 2019). The strategic location of

Malaysia has caused Malaysia to become a transit centre for smuggled goods from foreign countries (Nordin et al., 2020). As a result, Malaysia will be labelled as a smuggling centre.

### **Research Methodology**

In this research, a qualitative research approach explains a phenomenon in depth utilizing collecting data as deep as possible, which shows the importance of the depth and detail of the data being studied (Alase, 2017). In qualitative research, the more in-depth research, details, and extracted data are obtained, it can also be interpreted that the better the quality of the research (Yates & Leggett, 2016). In terms of the number of respondents or research objects, qualitative research has fewer objects than quantitative research because they prioritise data depth, not data quantity. Most studies in this field provide information, interpretation, or meaning in a communication process (Arthur Asa Berger, 2016). Thus, this qualitative research is not focused on collecting extensive information. In qualitative research, researchers are focused on answering the how, what, when, why, and where questions about the misappropriation and smuggling of subsidised cooking oils. The researchers' approach is to review online news, conduct the intelligence, analyse the cases, conduct an interview session, and analyse the previous audit.

### **Determine the misappropriation and smuggling modus operandi involving subsidised cooking oils**

The results obtained are highly dependent on the methodology used in this research. The researchers investigate the misappropriation and smuggling modus operandi to get a clear picture using reviewing online news, conducting intelligence, cases taken action by KPDNHEP, conducting an interview, an audit, and analysing the misappropriation and smuggling modus operandi.

### **Reviewing Online News**

They retrieved the information from the online news to find out the modus operandi of the misappropriation and smuggling of subsidised cooking oils. The research data is related to data, media, news title, location, modus operandi summary, offence worth, and offence category from January to May 2021.

### **Conduct an Intelligence**

Conducted intelligence through observation on the ground to disclose the actual situation and the modus operandi from the beginning to the end. The observation will be led by the intelligence team based on the information from the informer. This information is important to recognise the syndicate and the parties involved in illegal activity.

### **Cases are taken action by KPDNHEP**

Collect the information on cases that have been taken action by KPDNHEP. The information required in this research is their modus operandi, seizure value, the brand of the subsidised cooking oil, the suspect details, the parties involved, and the scene. The cases and the confiscation value were recorded from 2017 till May 2021 under the Control of Supplies Act 1961.

### **Interview with KPDNHEP Enforcement Officers**

The purpose of conducting the interview session is to understand the real situation and issues the KPDNHEP Enforcement Department faced related to the misappropriation and smuggling of subsidised cooking oils. By analysing the interview result using Thematic Analysis, the researcher can understand the real situation and problems faced by the KPDNHEP enforcement officers, especially in the KPDNHEP Control of Supplies Section. Conduct interview sessions with four KPDNHEP enforcement officers with direct duties related to scheduled articles. The four respondents are from the KPDNHEP Control of Supplies Section Head Quarters that deal with scheduled articles, subsidised cooking oils and preparing the report for the KPDNHEP top management daily, weekly and monthly. The information obtained regarding misappropriation and smuggling in KPDNHEP point of view and user requirements. The Head Control of Supplies Section had approved the interview session and the research. There are 13 questions in the interview session.

### **An audit on the repackers, wholesalers and retailers' company under Section 8 Control of Supplies Act 1961**

The KPDNHEP audit report is taken from 2017 to 2021 to analyse the findings. From the findings, the researchers can disclose the misappropriation and smuggling modus operandi to meet user and system requirements.

### **Analyse the Misappropriation and smuggling modus operandi**

The data collected is related to the misappropriation and smuggling of subsidised cooking oils and will be analysed from many angles. Content analysis for data collection is to study the modus operandi of and smuggling of subsidised cooking oils. The researcher uses content analysis to review online news. By identifying phrases or words in the online news, highlighted are date, media, news title, location, modus operandi summary, offence worth and offence category. The analysis could identify the patterns of misappropriation and misappropriation smuggling modus operandi. The intelligence team will observe companies suspected of engaging in illegal activities involving subsidised cooking oil. The observations need to be carried out thoroughly, starting from the misappropriation or smuggling happen until the illegal activities are complete. Throughout the observation, the intelligence team needs to record the information, such as the flow chart of the modus operandi, and identify the syndicate and parties involved. The number of cases involving cooking oil was compared with other controlled items such as diesel, petrol, Liquefied Petroleum Gas (LPG), sugar, and wheat flour. In addition, the value of seizures involving cooking oils is also important to further strengthen the seriousness of the issues concerning the misappropriation and smuggling of cooking oil. The value of confiscations involving cooking oil represents the benchmark of losses incurred by the Malaysian government.

This interview session focuses on four KPDNHEP enforcement officers in the KPDNHEP Control of Supplies Section of various positions, duties, and responsibilities that deal directly with subsidised cooking oil. The respondents involved in this interview session are responsible for collecting data on producing subsidised cooking oil, conducting intelligence, leading enforcement operations, conducting audits, and providing reports to KPDNHEP's top management on a daily, weekly, and monthly basis. The focus of the interview is describing the view, opinion, issues, effects, and how to solve the problems. The researcher uses thematic analysis to analyse the interview. Researchers have constraints on conducting audits on repackers, wholesalers, and retailers due to the Covid-19 pandemic; the researchers will

use the previous audit results undertaken by the KPDNHEP Control of Supplies Section from the year 2017 to May 2021. The purpose of the audit data taken is to know the audit findings that have been conducted.

### Result and Discussion

The results obtained are highly dependent on the methodology used in this research. In this section, the researchers investigate the misappropriation and smuggling modus operandi to get a clear picture in compiling the problems and also eradicate these crimes from occurring widely in Malaysia.

### Analysing the Online News

The data collection was taken from online news, and there were 20 news articles from January to May 2021 related to the misappropriation and smuggling of subsidised cooking oils. Information obtained from online news is categorised into several sections to be easy to analyse. Table 1 shows the collected data for analysis from the news articles (Most articles are in the Malay language).

Table 1

*Online news related to KPDNHEP subsidized cooking oils.*

No	News Date	Media	Offence category	Offence worth	References
1	17/05/21	Harian Metro	Smuggling	RM 1,804.00	(Kamarudin, 2021b)
2	15/05/21	Kosmo	Smuggling	RM 368,000.00	(Abdullah, 2021c)
3	04/05/21	Berita Harian	Smuggling	RM 15,000,000.00	(Suhaini, 2021)
4	01/05/21	The Sun Daily	Smuggling	RM 90,503.70	(Bernama, 2021c)
5	01/05/21	Sinar Harian	Smuggling	RM 712.00	(Rosli, 2021)
6	29/04/21	Kosmo	Smuggling	RM 2,720.00	(Abdullah, 2021a)
7	26/04/21	Sinar Harian	Smuggling	RM 166,592.00	(Kamarudin, 2021a)
8	22/04/21	The Sun Daily	Smuggling	RM 117,600.00	(Bernama, 2021a)
9	13/04/21	Borneo Post Online	Misappropriate	RM -	(Aubrey, 2021)
10	09/04/21	Utusan Malaysia	Smuggling	RM -	(Nur Nazlina Nadzari, 2021)
11	06/04/21	Utusan Malaysia	Misappropriate	RM 50,000,000.00	(Nuraina Hanis Abd. Halim, 2021)
12	26/03/21	Harian Metro	Misappropriate	RM -	(Bernama, 2021e)
13	24/03/21	Malay Mail	Misappropriate	RM 26,700.00	((Mok, 2021)
14	24/03/21	Berita Harian	Smuggling	RM 2,200.00	(Nor Fazlina Abdul Rahim, 2021)
15	18/03/21	Malay Mail	Misappropriate	RM 1,527,807.40	(Bernama, 2021d)
16	25/02/21	Harian Metro	Misappropriate	RM 773.40	(Zulkiffli, 2021)
17	24/02/21	Kosmo	Smuggling	RM 2,085.00	((Abdullah, 2021b)
18	12/02/21	The Sun Daily	Smuggling	RM 3,400.00	(Bernama, 2021b)
19	09/02/21	Berita Harian	Smuggling	RM 10,115.00	(Siti Rohana Idris, 2021)
20	20/01/21	Harian Metro	Misappropriate	RM -	(Noh, 2021)

After obtaining the data collected from Table 1, the researcher analysed the misappropriation and smuggling offence worth to calculate the confiscation and compare whichever is higher causing losses to the government as shown in Table 2. The collection data for the location of the event is shown in Table 3, while Table 4 shows the location of misappropriation and smuggling of subsidized cooking oils.

Table 2

*The collection data for the offence worth.*

Misappropriation		Smuggling	
No	Offence worth	No	Offence worth
9	-	1	RM1,804.00
11	RM50,000,000.00	2	RM368,000.00
12	-	3	RM15,000,000.00
13	RM26,700.00	4	RM90,503.70
15	RM1,527,807.40	5	RM712.00
16	RM773.40	6	RM2,720.00
20	-	7	RM166,592.00
		8	RM117,600.00
		10	-
		14	RM2,200.00
		17	RM2,085.00
		18	RM3,400.00
		19	RM10,115.00
<b>Σ</b>	<b>RM51,555,280.80</b>	<b>Σ</b>	<b>RM15,765,731.70</b>

Table 3

*The collection data for the location of the event.*

Misappropriation		Smuggling	
No	Location	No	Location
9	Sarawak	1	Kelantan
11	Selangor	2	Kelantan
12	Kuala Lumpur	3	Johor
13	Penang	4	Sabah
15	Kuala Lumpur	5	Perlis
16	Kedah	6	Kelantan
20	Johor	7	Kelantan
		8	Kelantan
		10	Perlis
		14	Kelantan
		17	Kedah
		18	Kelantan
		19	Kelantan

Table 4

*The location of misappropriation and smuggling of subsidized cooking oils.*

Location	Total
Johor	2
Kedah	2
Kelantan	8
Kuala Lumpur	2
Penang	1
Perlis	2
Sabah	1
Sarawak	1
Selangor	1
<b>Total</b>	<b>20</b>

Table 5

*The misappropriation and smuggling of subsidized cooking oils by location.*

Offence	Location	Total
Misappropriation	<b>Kuala Lumpur</b>	<b>2</b>
	Johor	1
	Kedah	1
	Penang	1
	Sarawak	1
	Selangor	1
	<b>Total</b>	<b>7</b>
Smuggling	<b>Kelantan</b>	<b>8</b>
	Perlis	2
	Kedah	1
	Johor	1
	Sabah	1
	<b>Total</b>	<b>13</b>

The data analysis from Table 5 shows that most of the criminal offences happened in Kuala Lumpur for misappropriation and Kelantan for smuggling based on the online news data collection.

### **Analysing Intelligence Findings**

The public reported a complaint (referred to as an informer) through the KPDNHEP e-Aduan system. Acting on this complaint, the intelligence team conducted an intelligence to obtain information on this target. Preliminary information found that the syndicate was suspected of cutting a 1-kilogram packet of subsidised cooking oil and repackaging the cooking oils for export and selling at a higher price. The syndicate was found to be hiding behind the LPG company. The intelligence team checked the Control of Supplies Act (CSA) License registered with the KPDNHEP Domestic Trade Department. The LPG company had a valid cooking oil storage license registered with KPDNHEP. The Malaysian registration plate number of the lorry had also been registered with the LPG company. The syndicate had obscured the eyes of the authorities behind the LPG company. Other than the syndicate using the LPG company to



obscure the eyes of the authorities, it also plays a role to purchase subsidised cooking oil in large quantities (as a cooking oil wholesaler). The LPG company has a valid CSA license to buy and store cooking oil, making the LPG company not liable for any offence in law. The premises where the illegal activities took place is behind the LPG company.

The observations and investigation findings show that the syndicate did their illegal activities by cutting the 1-kilogram packets of subsidised cooking oil and transferring it into a 1000-litre plastic tank. The intelligence team had checked with The Companies Commission of Malaysia or Suruhanjaya Syarikat Malaysia (SSM), and the premises belong to a different company from the LPG company. A bonded lorry arrives at the premises and is ready to collect cooking oil transferred from 1-kilogram packets of subsidised cooking oil to 1000 litres of plastic tanks. Observations were made, and it was seen that a foreign worker had transferred six units of plastic tanks containing cooking oil into a bonded lorry using a forklift.

The intelligence team followed the bonded lorry to obtain more information. Upon arrival at the location, the intelligence team found that another company was involved with the syndicate. The company plays a role as a place for storing and collecting cooking oil. Observations were made, and it was seen that a foreign worker had transferred six units of plastic tanks containing cooking oil from a bonded lorry to the premises using a forklift. In an incident, a tanker truck is waiting to transfer cooking oil at the syndicate premises. The intelligence team followed the tank truck to obtain more information. They found that yet another company was involved with the syndicate. The company's background was investigated, and it was found that the company was an exporter of cooking oil. The company has a valid license with Malaysia Palm Oil Board MPOB and Approved Permit (AP) for exporting cooking oils under the Ministry of International Trade and Industry (MITI).

The data analysis of data collection using intelligence techniques found that a syndicate involved several different companies. In this intelligence, the companies are four distinct and different companies with different directors. They misappropriate (transfer the subsidised cooking oil) from the wholesaler, then onwards for export smuggling. They work together as a syndicate to deceive the authorities. Figure 1 shows the flow chart of the syndicate modus operandi.

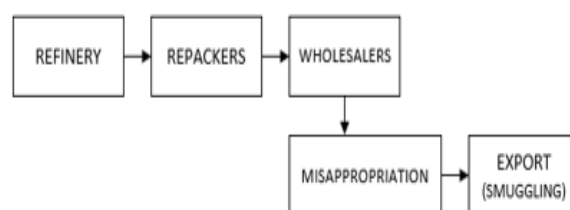


Figure 1. The flow chart of syndicate modus operandi

### Analysing the cases taken by KPDNHEP

Data were obtained from the KPDNHEP Records and Data Application Unit related to the number of cases that have been taken under the Control of Supplies Act 1961. The offences committed have incurred losses to the government as they involve the amount of subsidy through financing allocation for the six commodities. According to Sub Unit Aplikasi dan Data, Seksyen Siber dan Digital Malaysia, 2,283 offences under the Control of Supplies Act 1961 involving controlled items such as diesel, petrol, cooking oil, LPG, sugar, and flour were recorded from 2017 to May 2021. The number of cases generated involving scheduled articles related to leakage and smuggling for this year (as of May 2021) was 375 cases and 84 cases

involved cooking oils. The report said the government recorded a loss of RM15.9 million from the year 2017 till May 2021 involving cooking oil, where the syndicate activities were conducted systematically.

### Analysing the Interview Session

The purpose of conducting the interview session is to understand the real situation and issues the KPDNHEP Enforcement Department faced related to the misappropriation and smuggling of subsidised cooking oils. By analysing the interview result using Thematic Analysis, the researcher can understand the real situation and problems faced by the KPDNHEP enforcement officers, especially in the KPDNHEP Control of Supplies Section. There are 8 questions in the interview session (Refer to Table VI)

The responses from the interview were imported into Word Cloud generator. A word cloud was illustrated from each of the questions which represents the variety of words responded to by the participants/interviewees (Lee, 2020). The interview was conducted with the Assistant Director, Assistant Enforcement Officer, Assistant Enforcement KP19, and Assistant Enforcement Officer KP32 to gather the data. We use the structured interview questions to gain as much information that we could to answer the research questions.

Interview question 1: What are the duties and responsibilities in the KPDNHEP Control of Supplies Section?



Figure 2. The KPDNHEP Control of Supplies Section

Figure 2 illustrated the resulting word cloud and the emergent themes for Question 1 are enforcement, reporting, case investigations, control supplies, audits, regulate supply, combat misappropriation, and scheduled activities. The highest frequency of words that has been highlighted by the interviewees is *enforcement*. It can be concluded that KPDNHEP needs to do more enforcement in eradicating this Cooking-Oil Misappropriation and Smuggling issue.

Interview question 2: What are the article items that the KPDNHEP Control of Supplies Section controls?

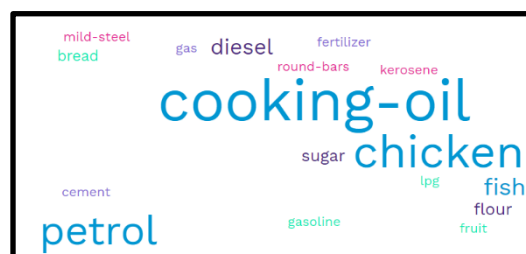


Figure 3. The KPDNHEP Control of Supplies Section controls

Figure 3 illustrated the resulting word cloud and the emergent themes for question 2 are cooking oil, mild-steel, round-bars, gas, diesel, fertilizer, bread, kerosene, cooking oil, sugar, chicken, LPG, fish, flour, fruit, gasoline, cement and petrol. The highest frequency of word that

has been highlighted by the interviewees is cooking-oil. It can be concluded that cooking oil is the item that KPDNHEP needs to control the most.

Interview question 3: What will happen if these articles' items are not controlled?



Figure 4. The impact of uncontrolled items in terms of price raising and misappropriation

Figure 4 illustrated the resulting word cloud and the emergent themes for Question 3 are price raising and misappropriation. Supplies outages, price raising, goods manipulation and rampant misappropriation. The highest frequency of words that has been highlighted by the interviewees is *price-raising*. It can be concluded that the impact from this cooking oil misappropriation and smuggling activities if it does not be controlled by KPDNHEP, can cause the price-raising of the item.

Interview question 4: How does misappropriation of subsidized cooking oil occur?

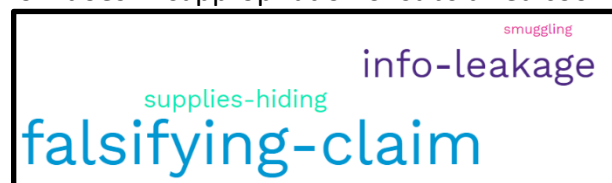


Figure 5. How the misappropriation of subsidized cooking oil occurs

Figure 5 illustrated the resulting word cloud and the emergent themes for Question 4 are smuggling, info-leakage, supplies-hiding, falsifying claims. The highest frequency of word that has been highlighted by the interviewees is *falsifying claims*. It can be concluded that falsifying subsidized claims can cause the cooking oil misappropriation and smuggling activities.

Interview question 5: What is the effect of cooking oil misappropriation on the country?



Figure 6. The effect of the misappropriation of subsidized cooking oil

Figure 6 illustrated the resulting word cloud and the emergent themes for Question 5 are government financial losses, insufficient supplies, and economic downturn. The highest frequency of word that has been highlighted by the interviewees is *government financial losses*. It can be concluded that the main effect from the cooking oil misappropriation and smuggling activities can cause big losses to the government financially.

Interview question 6: Who is involved in cooking oil misappropriation?



Figure 7. The people involved with the activity

Figure 7 illustrated the resulting word cloud and the emergent themes for Question 6 are economic sector, packaging companies, wholesaler, syndicate, reseller, retailers and repackers. The highest frequency of words that has been highlighted by the interviewees is *wholesaler*. It can be concluded that wholesalers are the most group of people who are involved in the cooking oil misappropriation and smuggling activities.

Interview question 7: How can we solve this problem?

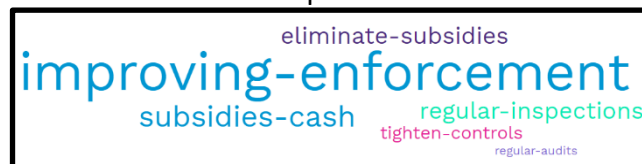


Figure 8. Ways to solve this problem

Figure 9.

Figure 8 illustrated the resulting word cloud and the emergent themes for Question 7 are eliminating subsidies, improving the enforcement, subsidies cash, regular inspections, tightening controls and regular audits. The highest frequency of word that has been highlighted by the interviewees is *improving the enforcement*. It can be concluded that the government must improvise the enforcement in order to eradicate this cooking oil misappropriation and smuggling activities.

The third stage in thematic analysis is to find themes following the research objectives. This theme determines the misappropriation and smuggling modus operandi involving subsidised cooking oils. Table 6 shows the several codes combined into a single theme.

Table 6

*Combining several codes into single themes.*

Codes	Themes
<ul style="list-style-type: none"> <li>● Control of Supplies</li> <li>● Scheduled articles</li> <li>● Controlled articles</li> <li>● Subsidy</li> </ul>	Causes
<ul style="list-style-type: none"> <li>● Economy</li> <li>● Government loses</li> <li>● Consumer</li> <li>● Industry player</li> </ul>	Effects
<ul style="list-style-type: none"> <li>● Enforcement</li> <li>● Illegal activities</li> <li>● Reports</li> </ul>	Solution

The result of the thematic analysis (themes) in this interview session will be important in determining the misappropriation and smuggling modus operandi involving subsidised cooking oils. Overall, the interviews showed that KPDNHEP enforcement officers enforced the law under the Control of Supplies Act 1961 to encounter the misappropriation of subsidised goods and ensure that the supply of scheduled articles was always sufficient for the needs of Malaysians. The scheduled articles by the act are 11 scheduled articles specified in Part I of the Schedule Regulation 2 (1) Control of Supplies Regulations 1974 and 25 controlled articles specified in Control of Supplies (Controlled Articles) (No. 3) Order 2018.

### **Analysing the previous auditing**

The researchers use the previous audit results conducted by the KPDNHEP Control of Supplies Section from 2017 to May 2021. Five situations result from the audit conducted by the KPDNHEP Control of Supplies Section.

### **Findings 1: Comply with rules and laws**

The KPDNHEP audit team from the KPDNHEP Control of Supplies Section conducted a spot check auditing. The repackers company gave full cooperation and has supplied the information required by the KPDNHEP enforcement officers under Section 8 Control of Supplies Act 1961, such as the purchase and selling price, their suppliers, their customers, the quantity of subsidised cooking oil, the sales coverage, bank statement and subsidy claimed documents. The inspection of the stock book is also done to find out the quantity of subsidised cooking oil coming in and out daily. The quantity of subsidised cooking oil was updated, and it was found that the amount of cooking oil on the premises was the same as in the stock book at the time of the audit. The audit was followed up to verify whether the information obtained was accurate or false. KPDNHEP enforcement division had inspected the subsidised cooking oil network. Inspections at the wholesalers and retailers found the subsidised cooking oil existed as per the information from repackers.

### **Findings 2: Fraudulent claims (Misappropriation)**

The auditing started by obtaining the subsidy claim document at KPDNHEP Domestic Trade Department Putrajaya. The audit team conducted an audit on the premises based on the address registered in the CSA license. The company does not exist in these findings, or the premise does not operate. KPDNHEP enforcement officers discreetly observed the premises during office hours, and there were no signs of companies operating to repack the subsidised cooking oil. However, the repackers company claimed the cooking oil subsidy as usual. Thus, the company gets a high profit by making fraudulent claims. The company involved in these fraudulent claims has a cooking oil quota of 250 metric tonnes per month and had claimed a subsidy of RM0.60 per kilogram, amounting to RM150,000 per month. The KPDNHEP enforcement officer reported to the top management and recommended that the companies involved in the blacklist and the CSA license be terminated.

### **Findings 3: Illegal repackaging for domestic (Misappropriation)**

As a finding of the auditing conducted, some repackers have two licenses, subsidised cooking oil packaging licenses and non-subsidy cooking oil packaging licenses. Cooking oil subsidy and non-subsidy cannot be physically distinguished because they are the same cooking oil. The government only allocates subsidies for 1-kilogram packets of cooking oil. For this reason,

some repackers take the opportunity to pack non-subsidy cooking oil and sell it at a non-subsidy price while claiming the subsidised cooking oil to the government.

**Findings 4: Illegal repackaging for export (Misappropriation and Smuggling)**

The audit was conducted at the repacker's level. The audit team tracked purchases from wholesalers in large quantities. Through the distributor's company, they found misappropriation and smuggling activities. The modus operandi used is that the wholesalers buy directly from the repackers in large quantities for the market in Malaysia. However, a 1-kilogram packet of subsidized cooking oil is cut and put into a tank for export abroad.

**Findings 5: Smuggle subsidised cooking oil to Thailand (Smuggling)**

As a result of the seizure of cooking oil at the Thailand border, KPDNHEP enforcement officers have identified the brands of cooking oil involved. An audit was conducted on the repackers who packed the subsidised cooking oil. As a result of the audit, it was found that the repackers involved sold the packaged cooking oil to several wholesalers around Selangor, Kuala Lumpur and Kelantan. The audit was subsequently conducted on the wholesalers involved and found that the wholesalers had sold to nearby retailers. The syndicate bought in small quantities and collected it in illegal storage stores around Kelantan before being smuggled to Thailand. This made it difficult for the legal enforcement authorities to track down the people involved in the smuggling as the syndicate had bought the cooking oil from regular consumers and collected it in illegal stores along the Kelantan border.

**Analysing misappropriation and smuggling modus operandi**

They analyse misappropriation and smuggling modus operandi involving subsidised cooking oils based on online news, intelligence, cases, interviews, and audit information. To get a clear picture of the misappropriation and smuggling modus operandi, the researchers use the flowchart, mind map and concept map to conclude the finding to achieve objective one. The researchers only focus on subsidised cooking oils distribution from the refinery to the retailers. In the flowchart, there are two situations: either delivering the subsidised cooking oil to the retailers or the occurrence of illegal activities. These illegal activities are aimed at making huge profits. Figure 9 shows the flow chart of the subsidies for cooking oils distribution.

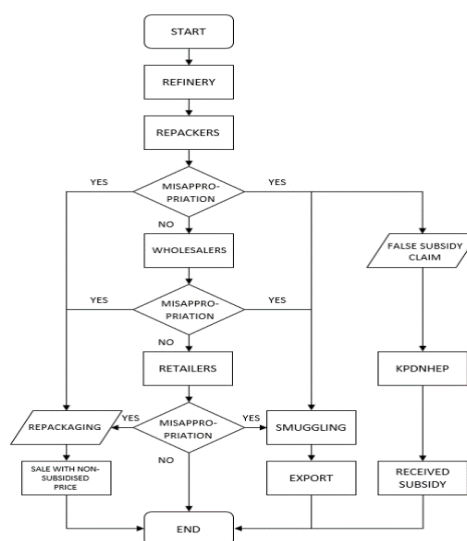


Figure 10. Flowchart of the Subsidies Cooking Oils Distribution

The flowchart of the subsidies for cooking oils distribution has been derived based on the literature review section. The visuals created in the mind map can help KPDNHEP enforcement officers determine the important variables. After determining the important variables, mind mapping can help decipher the details and understand the problem of misappropriation and smuggling. Figure 10 shows the mind mapping for misappropriation and smuggling of subsidised cooking oils, and Table 7 shows the mind map relationships.

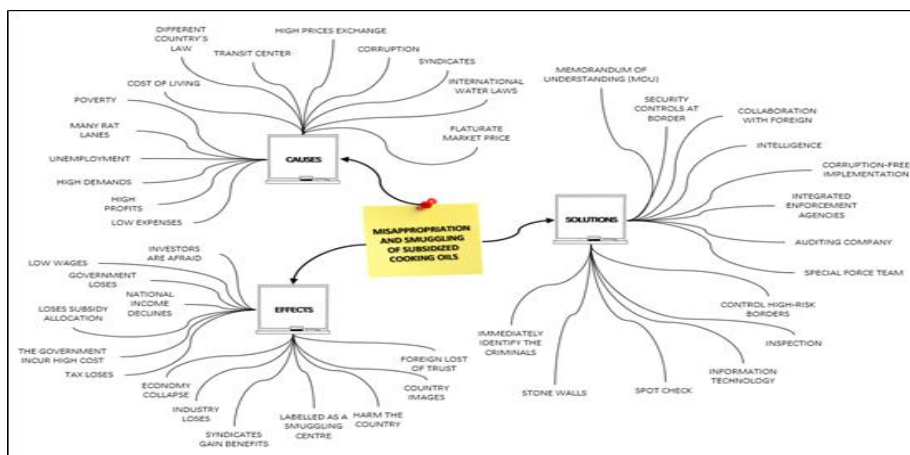


Figure 11. Mind Map for Misappropriation and Smuggling of Subsidized Cooking Oils

Table 7

The mind maps relationships

Causes	Effects	Solution
● Flatrate market price	● Investors are afraid to invest in Malaysia	Memorandum of understanding (MOU)
● International water laws	● Low wages among the workers involved in the ecosystem	● Security controls at border
● Syndicates	● Government loses more ringgits	● Collaboration with foreign
● Corruption	● National income declines	● Intelligence
● High prices exchange	● Loses subsidy allocation from the government	● Corruption-free implementation
● Transit centre	● The government incur high cost in eradicating those crimes	● Integrated enforcement agencies
● Different country's law	● Tax loses	● Auditing company
● Cost of living	● Economy collapse	● Special force team
● Poverty	● Industry loses	● Control high-risk borders
● Many rat lanes	● Syndicates gain benefits	● Inspection

● Unemployment	● Certain country will be labelled as a smuggling centre	● Information technology
● High demands	● Harm the country	● Spot check
● High profits	● Country images will be tarnished	● Stone walls
● Low expenses	● Foreign loss of trust towards the country	● Immediately identify the criminals

### Conclusion

This research covers the topic of the current issue in Malaysia. The misappropriation and smuggling of subsidised cooking oils have been analysed from many angles: reviewing online news, intelligence, cases under the Control of Supplies Act 1961, interviews, and audits to get a clear picture of the misappropriation and smuggling modus operandi in detail. The researchers use the flowchart, mind map, and concept map to conclude the findings in order to help in overcoming Malaysia's misappropriation and smuggling of subsidised cooking oils. For further research, this project would propose an IT solution in order to monitor and detect the oil misappropriation and smuggling activities in Malaysia.

### Acknowledgement

The acknowledgement goes to Research Management Centre (RMC), Universiti Teknologi MARA, Shah Alam for the financial support from MyRA Research Grant (Grant No. 600-RMC/MyRA5/3/LESTARI (008/2020). The appreciation also goes to the College of Computing, Informatics and Media, and Institute of Malay Thoughts and Leadership (IMPAK), Universiti Teknologi MARA for moral support in producing this paper.

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