



Dissemination and institutionalization of public sector accounting reforms in less developed countries: A comparative study of the Nepalese and Sri Lankan central governments

Pawan Adhikari^{a,*}, Chamara Kuruppu^b, Sumohon Matilal^c

^a Essex Business School, University of Essex, UK

^b Department of Business and Management, Faculty of Business and Social Sciences, Vestfold University College, Norway

^c Exeter Business School, University of Exeter, UK

ARTICLE INFO

Article history:

Received 23 November 2012

Received in revised form

24 December 2012

Accepted 10 January 2013

Keywords:

Institutional theory

International organizations

Less developed countries

Public sector accounting

ABSTRACT

One of the major issues in the developing world today is the alleviation of poverty and it is acknowledged that public sector accounting has a key role to play in this through the effective allocation of resources. Implementing public sector accounting changes in developing nations has been a key agenda of international organizations since the 1980s. This study, drawing on the ideas of new institutionalism, strives to explore the implementation of public sector accounting reforms in two less developed countries (LDCs), namely Nepal and Sri Lanka. The empirical findings of the study demonstrate that, while internationally propagated public sector accounting reform ideas have not gone beyond the trial/proposal stage in Nepal, colonialism has bequeathed on Sri Lanka the promotion of accounting education and training, enabling the country to implement some of these reform ideas. However, increasing resistance to accounting changes at the lower administrative level, witnessed in both countries, indicates a need to understand the contexts of LDCs and to fulfil basic preconditions prior to disseminating/embarking on reforms there.

Crown Copyright © 2013 Published by Elsevier Ltd. All rights reserved.

1. Introduction

New Public Management (NPM) reform ideas have been a means of reinventing the role of government in many countries in the last few decades (Hood, 1995). Accounting change, mainly a transition towards accruals in OECD member states, has been one of the most widely discussed NPM phenomena under the rubric of New Public Financial Management (NPFM) (Guthrie, Olson, & Humphrey, 1999). Despite this being a controversial reform, however, the extant literature demonstrates that there is no indication of a diminishing interest in accruals among OECD member countries (Hyndman & Connolly, 2011; Lapsley, Mussari, & Paulsson, 2009; Paulsson, 2006; Pollanen & Loiseau-Lapointe, 2012). More recently, the European Parliament has embarked on the process of drafting a legislative resolution to mandate member states to apply accrual accounting comprehensively and consistently, covering all sub-sectors of general government (Ball & Pflugrath, 2012). The importance of accrual accounting has been predicated on the assumption that it helps to enhance the transparency of governments' obligations and contingent liabilities, incurred as part of their austerity measures to stabilize the markets.

The discussion on accounting changes has not been limited to developed countries, but has increasingly gained ground in less developed countries (LDCs). One of the major issues in the developing world today is the alleviation of poverty and it is acknowledged that public sector accounting has a key role to play through the effective allocation of resources (Goddard,

* Corresponding author. Tel.: +44 1206873909.

E-mail address: padhik@essex.ac.uk (P. Adhikari).

2010; Rahaman, 2010). Implementing accounting changes, particularly accrual accounting, programme and performance budgeting (PPB), and accounting standards, in LDCs, has been a key part of the financial reform agenda of international organizations, particularly the World Bank, the International Monetary Fund (IMF), and the Asian Development Bank (ADB), since the 1980s (Allen, 2009; Dean, 1988). In its agenda paper, the International Federation of Accountants (IFAC) (2010) reports that a large number of developing nations are now considering adopting International Public Sector Accounting Standards (IPSASs), particularly the cash basis IPSAS, with the financial and technical support of the World Bank. It has been claimed that the adoption of the cash basis IPSAS would help LDCs not only to elevate the quality of their accounting information, but also to raise their capacity to implement accruals in the long-run (World Bank, 2010).

Indeed, a stream of literature in recent years has covered the efforts of international organizations towards disseminating public sector reform ideas in LDCs, including the privatization of state enterprises, and how accounting has been used to articulate these reforms (Neu, Everett, & Rahaman, 2009; Rahaman, Everett, & Neu, 2007; Rahaman & Lawrence, 2001; Rahaman, Lawrence, & Roper, 2004; Uddin, Gumb, & Kasumba, 2011; Uddin & Hopper, 2001, 2003). These studies have presented a common view that international organizations tend to impose accounting practices in LDCs that are in fact designed to serve their own legitimation needs rather than catering to the actual needs of the LDCs and the poorest in the developing world. These international organizations have therefore been portrayed as ‘imperialist’ institutions driving the LDCs in a way that is tantamount to neo-colonialism (Annisette, 2004; Mir & Rahaman, 2005; Rahaman & Lawrence, 2001). However, there is still insufficient empirical evidence on the implementation of accounting reforms proposed by international organizations by the central governments of LDCs (Neu et al., 2009; Neu & Ocampo, 2007; Rahaman & Lawrence, 2001). The present paper intends to fill this lacuna in the literature by comparing the government accounting reforms in two LDCs, namely Nepal and Sri Lanka. Comparative studies have increasingly been promoted in public sector accounting to generate a better understanding of how and to what extent accounting is being used in different contexts to implement the core ideas of public sector/NPM reforms (Broadbent & Guthrie, 2008; Paisey & Paisey, 2010; Pollanen & Loiselle-Lapointe, 2012).

In particular, the aim of the paper is twofold. First, it strives to investigate the role of external environmental factors in disseminating government accounting reform ideas in Nepal and Sri Lanka. Second, it seeks to unveil whether and to what extent these two countries have been successful in implementing these reform ideas, acknowledging the role of human agencies, particularly government accountants, politicians, and professional accountants, in the implementation process. Nepal’s emergence on the world political map in 1950 and the independence of Sri Lanka in 1948 respectively form the point of departure for this comparative study. The paper draws on the ideas of neo-institutional theory, also referred to as new institutionalism (Carruthers, 1995; DiMaggio & Powell, 1983), as they help to explain how and why organizations interact with their external environmental factors and how this interplay might impact upon their accounting choices and practices. The extant literature argues that neo-institutional theory has become a key theoretical lens through which to explore the choice of accounting practices in the public sector (Goddard, 2010; Jacobs, 2012). It has even been claimed that the rationale for adopting accrual accounting in the public sector is grounded on neo-institutional theory (Pina, Torres, & Yetano, 2009; Pollanen & Loiselle-Lapointe, 2012).

The remainder of the paper is organized as follows. The second section addresses the imperative of undertaking comparative studies in public sector accounting. The following section describes the underlying ideas of neo-institutional theory, which have provided the theoretical setting for this study. The fourth section outlines the research method. Thereafter, public sector accounting reforms in Nepal and Sri Lanka, from the beginning of the 1950s up to recent times, are discussed. The penultimate section compares and analyses public sector accounting reforms in Nepal and Sri Lanka in the light of the theory applied. The final section offers some concluding remarks.

2. Comparative studies in public sector accounting: an international trend

Carnegie and Napier (2002) state that on-going attempts to locate accounting within its broader operating context comprising socio-political and economic factors have led to a renewed interest in cross-national studies in accounting. With the establishment of the Comparative International Government Accounting Research (CIGAR)¹ network in 1987, there has been a rise in cross-national comparisons in public sector accounting, covering diverse contexts. The literature demonstrates that public sector accounting reforms have varied across nations, and different attitudes to reform have been seen in terms of both strategy and content (Benito, Brusca, & Montesinos, 2007; Broadbent & Guthrie, 2008; Caperchione & Lapsley, 2011; Ellwood & Newberry, 2007; Guthrie et al., 1999; Hyndman & Connolly, 2011; Pina & Torres, 2003).

For instance, Guthrie et al. (1999, p. 221), who compared public sector accounting reforms in 11 developed nations, conclude, “different types of reforms have been promoted at different levels of government, by parties from different ends of the political spectrum and in different economic and social contexts”. They further state that, while some nations have commenced reforms at their local government levels, other nations have striven to implement reforms at a very centralistic level, delineating distinctive national public sector traditions. Countries have been categorized as either fast, medium or slow developers in terms of adopting public sector accounting reforms (Guthrie et al., 1999). Similarly, studies show a

¹ The CIGAR network was established in 1987 to promote worldwide discussion and research on comparative government accounting (<http://www.cigar-network.net>).

Download English Version:

<https://daneshyari.com/en/article/1003779>

Download Persian Version:

<https://daneshyari.com/article/1003779>

[Daneshyari.com](https://daneshyari.com)