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# Public sector management accounting in emerging economies: A literature review

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### ABSTRACT

This paper reviews public sector management accounting (PSMA) research in emerging economies (EEs) and suggests ways forward. A political economy approach to management accounting and development is adopted to analyze the findings of the papers reviewed. Our review covers the past two decades and is based on 69 papers published in international accounting and public administration journals. We find that different development phases give rise to distinctive types of management accounting practice, which often do not live up to expectations owing to local politics and other socio-economic factors. Although the quantity of PSMA research on EEs is growing, there is a need for future research that addresses how management accounting practices in the public sector in EEs are impacted by the interplay between the public management programmes of international donor agencies and the political, economic and cultural contexts of EEs. In order to capture these complex socio-political and socio-cultural contexts, solid theoretical foundations are recommended, relying especially on critical and social theories, as well as on qualitative research such as case studies.

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## 1. Introduction

The quantity of research on accounting in emerging economies (EEs) has grown over the last two decades. This may be rooted in a multitude of complex factors, including the increasing pressures of globalisation, aggressive accounting reforms advanced by donor agencies, the expansion of PhD programmes in Western universities for scholars from EEs, and the development and expansion of accounting journals sympathetic to accounting research in EEs. Nevertheless, research in this domain, especially management accounting (MA) research, is still in its infancy. Much of the research has been conducted in the area of financial accounting, often on the topic of accounting standards and professional accounting bodies (Hopper, Tsamenyi, Uddin, & Wickramasinghe, 2009). MA research in the public sector in EEs has been largely neglected, or has begun to develop quite recently (Hopper & Bui, 2016; Hopper et al., 2009, 471–72 pp.).

Public-sector management accounting (PSMA) research has been reviewed extensively (Broadbent & Guthrie, 1992, 2008; Goddard, 2010; van Helden, 2005). However, although these reviews have provided an overall understanding of the changing role of MA in the public sector, they have not focused particularly on EEs. It is, therefore, important to take stock of knowledge on PSMA in EEs and provide an understanding of the changing nature of MA practices in the public sector in EEs. There are two particular reasons for our review.

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First, the adoption of ‘new public management’ (NPM, see Hood, 1991, 1995) in public-sector organisations in EEs, often inspired by the preferred market-based ‘development discourse’ and sponsored by international donor agencies, has been receiving increasing attention from academics and policy makers over the last two decades (Allen, 2009; Annisette, 2004; Manning, 2001; Polidano, 1999; Reichard, 2004; Schick, 1998). NPM has been severely criticized. Researchers claim that it has not been successful in promoting economic growth and stability, reducing poverty, and generating employment (Harvey, 2005; Hopper et al., 2009; Morales, Gendron, & Guenin-Paracini, 2014). Moreover, studies acknowledge that the type and intensity of NPM vary significantly from country to country (Guthrie et al., 1999; Pollitt, 2001; Pollitt & Boukaert, 2011). However, a critical assessment of research on NPM-related MA practices in EEs is lacking, and this review attempts to fill this gap. The ambition of our review goes beyond NPM reforms in EEs, in the sense that we wish to contribute to an understanding of how the development agendas of international donor agencies, such as the World Bank, have impacted on the MA repertoire in EE public sectors over the last twenty years.

Second, this review aims to give voice to EEs’ concerns about the importance of accounting in their development agendas, particularly by stimulating debate about how accounting can respond to the context-specific needs of EEs (Hopper & Bui, 2016). This will inform potential PSMA researchers about empirical findings and debates on policy, practice and theory relevant to EEs. This review may also attract the attention of accounting policy makers in global and local institutions, and practitioners, such as politicians, managers and consultants, in EE public sectors. The importance of public-sector accounting in achieving economic development goals in EEs further underpins this rationale.

Review papers on either public- or private-sector MA in EEs are scarce (Ashraf & Uddin, 2011; Hopper et al., 2009; Abdul-Rahaman, Gallhofer, Haslam, & Lawrence, 1997). Our paper aims to build on reviews by Hopper et al. (2009) and Abdul-Rahaman et al. (1997) and seeks to respond to claims made by the former that MA practices in the public sector have scarcely been researched (Hopper et al., 2009, 493–495 pp.; see also Alawattage, Hopper, & Wickramasinghe, 2007). Hopper et al. (2009) conducted a comprehensive review of MA research in EEs but did not focus particularly on the public sector. Their review provided us with theoretical motivations to categorise and analyze MA research papers. Abdul-Rahaman et al.’s (1997) review paper on EEs focused on both public-sector accounting and financial management research papers published before 1995, and is quite close to our review aim. However, since 1995, a shift in the development discourses of donor agencies, including NPM reforms, has affected the public sector in EEs quite significantly (Ashraf & Uddin, 2013; Duval, Gendron, & Roux-Dufortc, 2015), and our review covers this period.

In reviewing the last twenty years of published research (from 1995 to 2014), our paper seeks to address two simple questions: what do we know and what do we need to know about MA in the public sector in EEs? Given the distinct shift in development discourses and the role of the state over the past two decades (Broadbent & Guthrie, 1992, 2008; Gendron, Cooper, & Townley, 2001), this paper focuses particularly on exploring transformations in the public sector and how they intertwine with MA practices in EEs.

The paper is structured as follows. In Section 2, the terms ‘management accounting’, ‘public sector’ and ‘emerging economies’ are defined, and in Section 3 papers are listed by groups of countries, MA themes, methods and theories. Section 4 outlines a framework for development discourses and related MA repertoires in the public sector over time, from state-led development, through market-led development to localized development. This framework is used to analyze the findings of empirical research over the last twenty years (Section 5) and to provide pointers for research and policy making in the future (Section 6).

## 2. Boundaries of the review and review approach

### 2.1. Boundaries of the review

MA has been defined in different shapes and forms. We take our definition of MA from Hopper et al. (2009, p. 470): ‘It embraces processes, structures and information for organisational decisions, governance, control and accountability.’ Previous studies in EEs have shaped our position on this wider view of MA, which must be understood in the context of historical, social, political and economic factors and their unanticipated consequences (Hopper et al., 2009). In order to narrow the focus, we have not included financial accounting, but acknowledge that the demarcation between MA and financial accounting is often problematic. Nevertheless, the broader definition of MA adopted in this paper has enabled us to undertake a wide search for papers.

The term ‘emerging economy’ is being continually redefined, justifiably so because economic development and poverty are complex, variable and discontinuous. National income (per inhabitant) may not readily indicate the level of poverty or general access to basic services; nor does it indicate the level of institutional development in a particular country. Nevertheless, the United Nations (UN), the World Bank and the International Monetary Fund (IMF) maintain a list of countries categorized into bands ranging from low income to high income per inhabitant. Despite debate, the UN human development index (HDI) and World Bank indices are particularly influential on development programmes. This review examines research on countries in the World Bank’s lower to upper middle income bands.<sup>1</sup> This wide span of incomes enabled us to cover a broad range of EEs. The World Bank indices are narrower than the UN HDI index, but our categorization

<sup>1</sup> Used as a demarcation criterion for establishing the domain of EEs (Source: <http://data.worldbank.org/about/country-classifications>).

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