

Extending the Institutional Theory: Public Sector Accounting and Financial Reporting Perspectives, Sri Lanka

Prof. Dr. Nagalingam Nagendrakumar

Abstract

The purpose of this study is to explain why the accrual accounting practices introduced to Public Entities (PEs) in Sri Lanka has been a failure. To elevate the phenomenon, the study employed institutional theory as a theoretical scope. And also, it espoused the interpretive stance, case study strategy, and theoretical thematic analysis method. The study is significant since it extends the institutional mechanism which is a part of the institutional theory into initial pressure (i.e., pull) and induced pressure (i.e., push). It concludes that the initial pressure (pull) for the reforms existed whereas the induced pressure (push) did not. Also, the second negated the first causing an overall pressure to the public entities insignificant and hence the public sector Accounting and Financial Reporting (PSAFR) Reforms reform failed in Sri Lanka. This study reassures in the PSAFR reform point of view the institutionalization of the institutions has not yet been well explained.

Keywords: Pull; Push; PSAFR Reform; Institutionalization

1.0 Introduction

The Government owns and controls the public sector under two sub-sectors – PEs and Government Business Enterprises (GBEs) (Chua, 1996; Guthrie, 1998). The Sri Lankan public sector also fits into the above sub-sectors. PEs provide services to the general public and comprise the central governmental organisations (Central Government (CG), line ministries and departments) provincial governmental organisations (Provincial Councils (PC), provincial ministries and departments) and local governmental organisations (Municipal Councils (MCs), Urban Councils (UCs) and Pradeshiya Sabhas)) (Kumara & Handapangoda, 2008) and Statutory Boards. GBEs engage in business activities and comprise the Government-owned companies: Ceylon Electricity Board, Sri Lanka Transport Board, Sri Lanka Petroleum Corporation, and the Sri Lanka Port Authority. The accounting history informs that the sub-sectors above did not follow the same accounting practices: PEs followed cash accounting practices whereas GBEs followed accrual accounting practices in line with the private sector principles. The PSAFR reform advocates the institutionalization of accrual accounting practices to the PEs except GBEs.

Recently, developed countries: New Zealand, Australia, the United Kingdom, and others, and developing countries: Sri Lanka, Vietnam, Nigeria, Taiwan, and the like, have introduced PSAFR reforms in public sector. Although Sri Lanka adopted the New Public Financial Management (NPFM) reforms during the 1990s, the PSAFR reforms only started to gather momentum with the involvement of the Institute of Chartered Accountants of Sri Lanka (ICASL) from 2009.

The ICASL adopted the International Public Sector Accounting Standards (IPSASs) and introduced accrual accounting practices to the Sri Lankan public sector known as the Sri Lanka Public Sector Accounting Standards (SLPSASs) in 2009 (ICASL, 2009). ICASL recognised the Association of Public Finance Accountants of Sri Lanka (APFASL) as its public sector partner.

Also, ICASL set up the Public Sector Accounting Standards Committee (PSASC) with the objective of developing accrual-backed SLPSAs for Sri Lanka's public sector. The PSASC introduced four standards in 2009, which became 10 by 2012 and 20 in 2018. These 20 standards apply to the CG, PC, Local Governments (LG), non-profit making Statutory Authorities, and Universities (ICASL, 2009).

2.0 Statement of Problem

Study finds two research problems: one being in the context of PSAFR reform and the next in the context of institutional theory.

In the context of PSAFR

The literature argues that the introduction and adoption of accrual accounting practices to the public sector has not achieved the expected results. The continued debate highlights the application of a suitable implementation process is the most significant factors in PSAFR reforms. The implementation process refers to the way in which the accrual accounting practices are put into practice to the PEs. Furthermore, notwithstanding their significance, few is acknowledge about the institutionalization process of accrual-backed standards (Christiaens et al., 2014). Public sector accounting scholars are of the view that the way in which the accrual accounting practices are adopted in PEs causes it to perform differently depending on country-specific factors (Nagendrakumar, 2018), and, therefore, the outcome of PSAFR reforms is not identical in all cases (Buhr, 2012). They also emphasise that accrual accounting reforms do not have a consistent pattern, thus resulting in a misguided transfer of accrual accounting practices to the public sector (Soverchia, 2012; Grossi & Soverchia, 2011; Guthrie, 1998). Furthermore, the question concerning whether all countries have adopted a uniform implementation process also remains unanswered, and the studies in this field are quite silent about the implementation process of PSAFR reforms. Overall, the institutionalization of the accrual accounting practices does not portray established institutionalization process.

In the context of institutional theory

In that line, three criticisms are important to the present study as far as the institutional theory is concerned. First, it is argued that the institutional approach has not been well established (Tolbert & Zucker, 1996). Second there is very little consensus on the definition of key concepts, measures or methods within institutionalization tradition and as a result, it has developed no central set of standard variables for institutionalising a change (Tolbert & Zucker, 1996). Finally, there has been surprisingly a little attention given to conceptualising the institutionalisation process (Tolbert & Zucker, 1996).

All three debates in the context of institutional theory have become an open truth in PSAFR reform which leads to revisit the institutional theory in PSAFR reform context.

3.0 Purpose of the study

In line with the argument above, the overall objective of this study is to explore a suitable institutionalization process for PSAFR reform.

4.0 Literature Review

4.1 Reforms overview

The New Public management (NPM) led neo-liberal thinking and the financial crisis, during the latter part of the 19th century, resulted in various Governments to offer rescue packages. For example, the United States of America 700 billion US dollars, Canada 40 billion Canadian dollars, France 26 billion euros, Britain 94 billion pounds and India 8 billion US dollars). It also led the question of how the rescue measures provided by various supra national organizations are presented in the governmental financial statements. Further, the sovereign debt crisis (e.g., Greece and Dubai) also resulted in questioning whether the financial reporting of Government interventions is sufficient to achieve accountability and transparency. As a result, International Monetary Fund (IMF) and the IPSAS Board (IPSASB) jointly tried to answer the question and came out with the accrual-based IPSASs (Abanyam & Angahar, 2015).

4.1.1 Developed countries' experience

Bellanca and Vandernoot (2014) argue that there are important disparities among the member states of European Union, both for the application of IPSAS and for the type of accounting used. Bellanca and Vandernoot (2013) contend that the implementation of the PSAFR reforms in Belgium varies greatly from one entity to another. In the process of PSAFR reforms, the Brazilian Treasury has been required the adoption of some sophisticated accounting policies that were beyond the capacity of information Technology platform already installed in either CGs and LGs, and as a result led to the postponement of IPSAS implementation (Cardoso, Aquino & Pigatto, 2014). The United Kingdom is the initiator of public service reforms whereas New Zealand began as a late-starter but became the renowned leader, especially in the adoption and development of accrual accounting (Ellwood & Newberry, 2007). As a result, New Zealand's shift to accrual accounting became a model for the rest of the world. The United Kingdom Government moved to accrual accounting practices in 2001–2002 and adopted accrual accounting first at the agency level and was looking to produce aggregate consolidated financial statements for 2006. The United Kingdom planned to prepare consolidated financial statements in a stage by stage format: Stage 1 - consolidation of the non-audited CG accounts using 2001-02 national accounts information, stage 2 - consolidation of the accrual-based CG accounts during 2003-04, and stage 3 - whole-of-government accounts consolidation for 2005-06. Heald and Georgiou (2009) highlighted that the complex issue of aggregating Government accounts, especially about the definition of control in the public sector, as well as the difficult relationship between international and national financial accounting standards. Thus, the PSAFR reforms have been fragmentary and lack uniformity across the public sector. The Australian public sector has undergone intense PSAFR reforms including a comprehensive overhaul of financial reporting policies. The major aspect of this reform is the involvement of the Australian accounting profession in the formulation of financial reporting standards (Ryan, Dunstan, & Stanley, 1999). As a result, the implementation of PSAFR reforms remains a controversial issue, with intense debate about its usefulness for decision-making (Kober, Lee & Ng, 2010).

4.1.2 Developing countries' experience

The Indonesian Government launched public sector financial reforms as part of broader political and economic reforms aimed at improving the transparency and accountability of the Government (Harun, 2007). The continued lack of progress in PSAFR reforms in Indonesia due to a lack of interest in and understanding of the issues among politicians, successive Governments had been reluctant to push hard for accounting reforms. With the liberalisation of

the economy and developing closer links with the Western economies, Vietnam changed its system of accounting to a mixture of principle-based conceptual accounting pattern taken from the West and the rule-based formal accounting elements retained from the old Soviet-style system. However, this process has faced certain difficulties owing to Vietnam's specific national characteristics such as its local economic system and accounting tradition (Phi Anh & Nguyen, 2013). Nepal CG has been using accrual accounting practices since the late 1980s, for which the thrust came from international agencies and the involvement of professional accounting. However, this turned out to be a failure, and the authorities took the necessary steps to replace accrual-based accounting with an improved version (modified) of cash-based accounting (Adhikari et.al, 2015).

4.2 Institutional theory

Institutional Theory views institutions as “multifaceted, durable social structures made up of symbolic elements, social activities, and material resources” (Scott, 2014). The PSAFR reforms also align with the characteristics outlined by Scott. The theory provides useful insights into not only the persistence and the homogeneity of institutions but also institutional change and transformation (Dacin, Goodstein & Scott, 2002). Thus, Institutional Theory is not a coherent system of rules, but it is rather a collection of ideas that together form a, somewhat consistent, perspective of the mechanisms supporting and restricting social behaviour (Bjorck, 2004). Therefore, Institutional Theory attempts to the deeper and more resilient aspects of social structure, and it considers the processes by which structures, including schemas; rules, norms, and routines, become established as authoritative guidelines for social behaviour (Scott, 2014). Further, it enquires into how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse. Thus, although the ostensible subject is stability and order in social life, institutions must inevitably attend not just to consensus and conformity but to conflict and change in social structures (Scott, 2014).

4.2.1 Institutionalisation mechanism

The institutionalisation mechanism is the process by which organisations strive for legitimate its functions (Agasisti, Arnaboldi, & Catalano, 2008). The institutional mechanism, therefore, can cause increased stability among organisations within an organisational field, sometimes having interactive effects, and not necessarily resulting in increased efficiency, suggesting that organisational adaptation may be more compulsive than problem-solving (Selznick, 1996). Scott (2014), Bjorck (2004), and DiMaggio and Powell (1983) view this as coercive (i.e., constraining mechanism), mimetic (i.e., cloning mechanism), and normative (i.e., learning mechanism) mechanisms. Therefore, ultimately they become the institutional pressure. Thus, all institutional mechanisms put forth pressures to the organisational field to legitimate or stabilise behaviour of the another institution.

Coercive mechanism results from both formal and informal pressures exerted on organisations by other organisations upon which they are dependent and by cultural expectations in the society within which organisations function (DiMaggio & Powell, 1983). Rules, regulations, laws, sanctions, orders, and circular instructions are the indicators of the coercive mechanism (Scott, 2014). Mimetic mechanism points out that the uncertainty pressurises the imitation. When organisational technologies are poorly understood, goals are ambiguous, and the environment creates uncertainty, then, organisations may model themselves on other organisations (DiMaggio & Powell, 1983). Common beliefs, shared logic of action, and the

isomorphism are the indicators of the mimetic mechanism (Scott, 2014). The normative mechanism is the collective pressure of members of an occupation to define the conditions and methods of their work, to control "the production of producers", and to establish a cognitive base and legitimization for their occupational autonomy (DiMaggio & Powell, 1983). Certification and accreditation are the indicators of the normative mechanism (Scott, 2014).

5.0 Study Design

5.1 Concept indicator model

The present study first built the concept indicator model by employing the researcher driven codes from the Institutional Theory.

5.1.1 Institutionalization process

Exploring the research problem of why the PSAFR reforms failed in Sri Lanka is possible in the light of the Institutional Theory. Besides, it is argued that the institutional approach concerning PSAFR reforms has not been well established (Tolbert and Zucker, 1996). Further, there is very little consensus on the definition of key concepts, measures or methods within PSAFR reforms tradition and as a result, it has developed no central set of standard variables for institutionalising the accounting change (Tolbert and Zucker, 1996). Moreover, there has been surprisingly a little attention given to conceptualising the institutionalisation process about PSAFR reforms (Tolbert and Zucker, 1996). Accordingly, it is worth also to revisit Institutional Theory through the PSAFR reforms by customising - actors and their interplay; negotiation; institutional mechanism; incorporation; acceptance; sustenance; and the logic of appropriateness.

5.1.1.1 Actors: PSAFR reform

The social structures are both imposed on and upheld by the actors' behaviour (Bjorck, 2004). Prior empirical evidence indicates that the institutional environment plays an important role in influencing organisations to adopt new accounting and reporting practices (Othman and Arshad, 2011). Meantime, reforms in particular within the public sector, have been undertaken in many countries and have proved to be challenging and difficult to manage (Buhr, 2012). The challenges involved in managing reforms, as experienced by Western as well as Eastern economies have many actors in common which are evident from the 1980s. This phenomenon motivated Hopwood (1984) and raised three fundamental questions: where have these pressures for change come from; what form do they take; and what are their implications. In attempting to find out the answers to this questions, scholars have identified several universal factors associated with the PSAFR reforms. They are viz. accounting tradition and reformation culture (Grossi and Soverchia, 2011; Oulasvirta, 2010); political culture (Brusca et al., 2013; Grossi and Soverchia, 2011; Jones and Pendlebury, 2004; Steccolini, 2004; Wynne, 2003); nature and type of activities of the PEs (Soverchia, 2012; Buhr, 2012; Grossi and Soverchia, 2011; Newberry and Pallot, 2005; Christiaens, 2004; Blondal, 2002; Antony, 2000; Guthrie, 1998); role played by senior management towards change (Buhr, 2012; Grossi and Newberry, 2009); external pressure (Rayegan, et. al, 2012; Al Husaini and Gowda, 2008; Diamond and Khemani, 2006; Newbury, 2006); need for change in budgeting practices (Blondal, 2004); need for reflection (Soverchia, 2012); cost of conversion (Trewavas et al., 2012; Blondal, 2004; Wynne, 2003); information technology (Blondal, 2004); and self - initiatives of the particular country or PEs (Al Husaini and Gowda, 2008).

However, evidence suggests that even when many of the universal factors are favourable, still PSAFR reforms are likely to fail (Kober et al., 2010; Chapple, 2014; Irvine, 2011). The main reason for that is the impact of country-specific factors (Adhikari et al., 2015; Oulasvirta, 2014; Adhikari and Mellemvik, 2011; Wynne, 2003). Thus, one of the focuses of this study, therefore, is to find out such factors which lead to PSAFR failure. Hence, this research argues that there would likely be some other country-specific factors (Nagendrakumar, 2018), which might have a greater impact on success/failure of the PSAFR reforms. This leads to the first proposition:

Proposition 1: There are country's specific actors, in addition to universally found actors, causing the success of the PSAFR reforms.

5.1.1.2 Actors' interplay

Actors' interplay is the interaction among the factors associated with the PSAFR reforms within the public sector. It may be human and non-human or universal and country-specific (Nagendrakumar, 2018; Scott, 2014). These factors become the determinants of the evolution of the PSAFR reforms in Sri Lanka. Actors' interplay leads to institutional rules (Meyer and Rowan, 1997). It is worth to note at this juncture the argument of Tolbert and Zucker (1996) who informs that the institutionalisation process has not been well established and the determinants of variations of institutionalisation also has not been well established which are also found as the important gaps in PSAFR reforms. As such, the study argues that differing nature of universal and country - specific factors associated with the PSAFR reforms are likely to drive the differences in reaching the desired level of agreement (i.e., the negotiation) about the PSAFR reforms (Ryan et al., 1999). Therefore, negotiating the implantation of accrual accounting practices depends on the effectiveness of the actors' interaction. The degree of agreement among the actors would decide the level of the institutional pressure: coercive, normative, and mimetic, to the end user (i.e., PEs). Thus, the institutional mechanism concerning the accrual accounting practices depends on the actors' interplay. Thus, the second proposition would be:

Proposition 2: Effective interplay among actors would generate positive negotiation and thereby lead to the effective institutional mechanism for PSAFR reforms.

Further, the effectiveness of the institutional mechanism depends on to what the extent the coercive, normative, and mimetic pressures back the incorporation of the accrual accounting practices to the PEs. Thus, the third proposition would be:

Proposition 3: Higher the effectiveness of the coercive, normative, and mimetic pressures then stronger the incorporation of the PSAFR reforms.

5.1.1.3 Conscious and unconscious institutionalisation of the accounting practices

Some factors are over-represented where some are under –represented in different countries and for that reason, the policy formulation about the PSAFR reforms must consider the effective negotiation (Ryan et al., 1999). Similarly, the present study also maintains that the negotiation (i.e., the result of the actors' interplay), the incorporation (i.e., the satisfactory level of the institutional pressure), the acceptance (i.e., the conscious institutionalization of the accrual accounting practices), and the sustenance (i.e., continuing with the accrual accounting practices and turning them out as the accounting culture) are the focal elements of the institutionalization of the PSAFR reforms to the PEs. Further, the conscious institutionalisation is the process of

legitimate reinforcement of the accounting practices and hence, it is the composite product of the negotiation, incorporation, and acceptance of the accrual accounting practices. As a result, the present study argues that the members of the PEs truly would be prepared to implement the accrual accounting practices if and only if it is consciously institutionalised. This leads to the fourth proposition:

Proposition 4: Positive negotiation and effective incorporation would lead to strong acceptance and then, the conscious institutionalisation of the PSAFR reforms.

When the conscious institutionalisation of the accrual accounting practices continues for a considerable period, it leads the PEs to institutionalise the accrual accounting practices unconsciously. When the accrual accounting practices are unconsciously institutionalised then, it becomes the accounting culture of the PEs. Thus, unconscious institutionalisation has a culturally supported effect on the PSAFR reforms, which is the composite product of conscious institutionalisation and sustenance. As a result, the fifth proposition reads as:

Proposition 5: The sustained PSAFR practices turn out to be the accounting culture of the PEs.

5.1.1.4 Implementation process

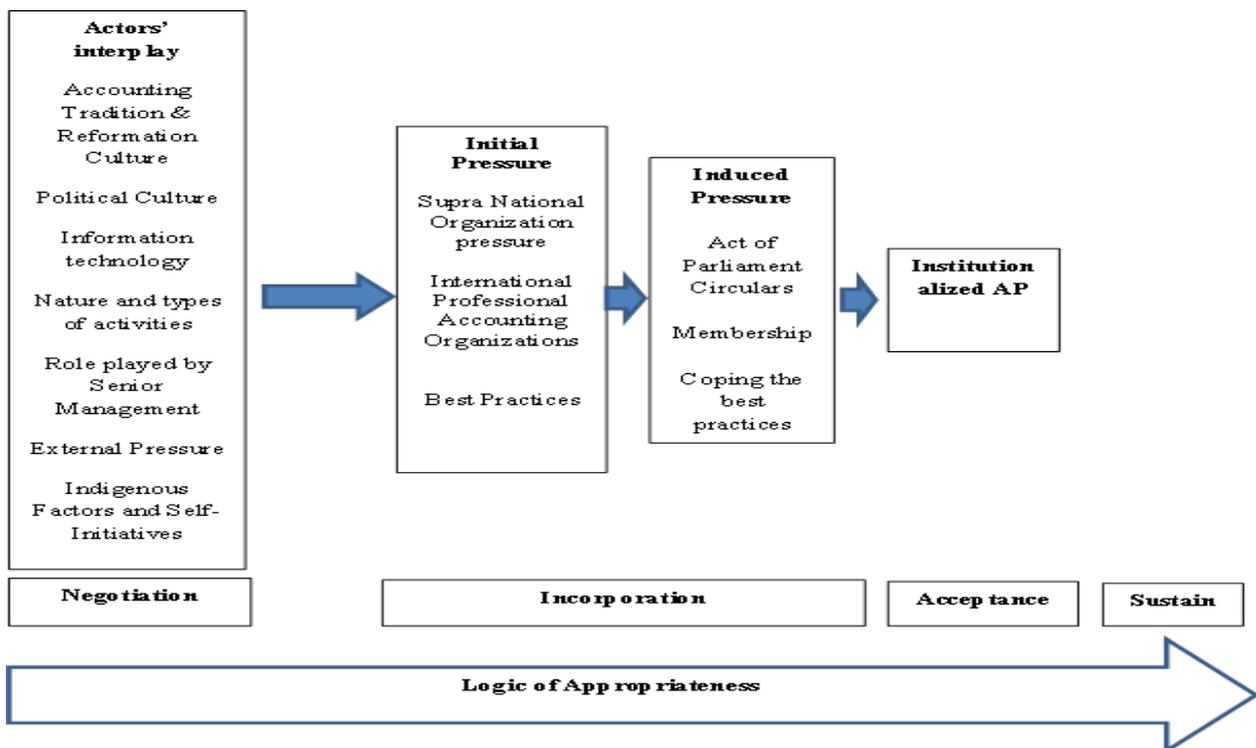
This study mainly focuses on institutionalisation aspect of the accrual accounting practices to the PEs and hence, attempts to explain and understand the failure of PSAFR reforms in Sri Lanka. Thus, the study proposes successive rostrums of institutionalisation of accrual accounting practices to the PEs: actors' interplay; institutional mechanism; and institutionalisation of accrual accounting practices to the PEs. Further, the study argues that the observing the logic of appropriateness at each and every element of the institutionalisation process is a must to make the PSAFR reforms a success. Tolbert and Zucker (1996) argues that if a formal structure is to be legitimated as authoritative guidelines for social behaviour then the theme and the process should be appropriate and necessary. As a result, the current study argues that the implementation process would be sequential, and the study further, argues that the logic of appropriateness should be observed at each rostrum and throughout the institutionalisation process, and then only the implementation of accrual accounting practices would become an institutional rule to the PEs. Institutional rules function as myths which organizations incorporate, gaining legitimacy, resources, stability, and enhanced survival prospects (Meyer and Rowan, 1997). Institutional Theory, as far as PSAFR reforms are concerned, assumes that organisations adopt management practices that are considered legitimate by others, regardless of their actual usefulness (Carpenter and Feroz, 2001). However, the present study in contradiction focuses on the actual usefulness of the accrual accounting practices to the PEs. Thus, it goes in line with the institutionalization arguments put forth by Tolbert and Zucker (1996) and Scott (2014) that the logic appropriateness becomes the significant factor in institutionalisation process failing to which might lead to failure of any reforms. This gives rise to the sixth proposition:

Proposition 6: When the implementation process is sequential, and the logic of appropriateness prevails at each rostrum and throughout the institutionalisation process then the reforms are likely to succeed.

The above argument leads to the concept indicator model as shown in the Figure 1. The present study co-create the knowledge which is related to knowledge integration which assumes that

knower and known acquire the knowledge and assign meaning to the knowledge, through participating in social practices (Regeer and Bunders, 2009). In this line, the researcher beholds Braun and Clarke’s (2013) concept of ‘subjectivity’ which refers to the idea that what we see and understand reflect our identities and experiences. Qualitative research, therefore, does not treat the subjectivity to mean bias, instead, it incorporates it into the analysis (Braun and Clarke, 2013) and hence, it focuses on the construction of people's accounts as meanings. As a result, the study assumes that the researcher cannot disregard the social interactions and the subjectivity nature in PSAFR reforms. Thus, in the present study, the researcher co-creates the knowledge with the respondents. Accordingly, this research has not adopted the hypothesis testing method but routed a priori concept - indicator model and the study propositions.

Figure 1: Concept Indicator Model



Source: Nagendrakumar (2017)

5.2 Method

This study was carried out engaging qualitative approach adopting semi-structured interviews as the primary data collection method. The researcher developed the semi-structured interview guide based on the theoretical positioning (Yin, 2014; Braun & Clarke, 2013) of the research questions. Two pilot interviews validated the semi-structured interview guide. The primary data was gathered through 30 semi-structured interviews conducted among the public sector accountants who are attached to the Initiating Agency (InA) (i.e., ICASL and APFASL), Implementing Agency (IA) (i.e., PEs), Divergent Voice (DV) (i.e., Chartered Institute of Management Accountants (CIMA)) and the Controlling Agency (CA) (i.e., the Treasury (T)) and 35 participatory evidence (15 training programmes and 20 meetings) The secondary data

was gathered through the SLPSAS manual, Financial Regulations (FR) and circulars. The data analysis was carried out using the theoretical thematic analysis method (Braun & Clarke, 2013) relying on pattern matching logic (Yin, 2014) through coding the field data using NVivo. The validity of the analysis has been strengthened by triangulating the theoretical positioning, theoretical thematic analysis and pattern matching logic, and further, by data triangulation among InA, IA, T, and DV.

The theoretical positioning (concept indicator model) guided the researcher for the scientific investigation of the PSAFR reforms and also they became the researcher driven - codes for the study. Similarly, this research has - after coding the field data - come out with a set of data-driven codes as well (Braun and Clarke, 2013). Accordingly, the researcher driven-codes and the data - driven codes are finally patterns matched to interpret the results and discuss the fitness of the concept – indicator model. Hence, the present study has followed a systematic research process of a qualitative nature in arriving at the findings.

6.0 Discussion of Results

It is observed that due to the open economy status and wide coverage of networking under globalised operations, Sri Lanka is used in learning and adopting whatever best practices found in the international arena. It is a common fact not only in accounting but also in other disciplines, such as law, medicine, management and the like. In this direction, ICASL, in recent years, has endeavoured to initiate changes in the public sector financial management, especially the introduction of accrual-based accounting practices to the PEs, which has created a new trend in Public Sector Accounting in Sri Lanka (Nagendrakumar et al., 2015a, 2015b).

The recent developments in the accrual accounting practices implemented in the PEs in Sri Lanka are based on mimetic practices. Although the present study attempted to raise the above fact, it was found that both the public sector as well as the private sector in Sri Lanka mimics the international best accounting practices. Mimicking is performed by moderating the best international accounting practices to suit the local accounting environment. Thus, the ICASL has been used to adopt the IFRS/IAS to the Sri Lankan private sector, known as Sri Lanka Accounting Standards (SLAS-LKAS/SLFRS), from its inception as the national accounting body. Also, the study found that the ICASL commenced mimicking the International Public Sector Accounting Standards (IPSAS) into (Sri Lanka Public Sector Accounting Standards (SLPSAS) from 2009 (Nagendrakumar et al., 2015a).

The uncertain environment causes the mimicking and makes one organisation to model the best (Scott, 2014; Tolbert and Zucker, 1996; Di Maggio and Powell, 1983). Failure to benchmark the best practices causes the failing organisation be removed from the system. The study found that although the ICASL faced the uncertain environment in the field of accounting and auditing practices the Government of Sri Lanka did not. Thus, the uncertain environment faced by the ICASL, compelled it to mimic the IFRS and IPSAS, the failure of which might have caused severe damage to its existence. It was further found that the IPSAS Board (IPSASB) also faces uncertain environment and as a result, they too mimic the IFRS. Thus, it was found that the IFRS has become the origin for the accounting practices for ICASL in Sri Lanka (Nagendrakumar et al., 2015a). However, the Sri Lankan Government or the Treasury do not face the uncertain environment, and thus, they are not compelled to mimic the IFRS or IPSAS. Overall, it was found that the PEs are not under compulsion of legitimising the IPSAS or SLPSAS through comprehending and recognising them as appropriate for their environment.

The mimicking is the force by which developments are brought into the Private and Public Sector Accounting field in Sri Lanka (Nagendrakumar et al., 2015a). Furthermore, it was found that Sri Lanka is compelled to benchmark the best international accounting practices since the private and the public sector have not yet come out with their set of accrual accounting practices. Finland has succeeded in having its country specific accrual accounting practices (Oulasvirta, 2014). The main reasons why Sri Lanka is not in a position to initiate its Public Sector Accounting practices are: a) it does not have the skilled public sector accounting experts; b) it cannot afford the cost involved in doing research and development; c) lack of institutional capacity and d) ignorance among the academia on this particular area. Hence, mimicking the best accounting practices with slight changes to suit the Sri Lankan context was inevitable.

It was found that one camp argues that a standard setting process is expected to accommodate the local laws, regulations, and political institutions so that the establishment of unique national standards will provide higher net social benefits than the international standards (Oulasvirta, 2014, 2010; Wynne, 2003). The IFAC, the other camp, highlights the importance of harmonisation of the accrual accounting practices throughout the world (Brusca et al., 2013; Phuong and Nguyen, 2012; Shil and Das, 2009; Sjolander, 2009; Chen and Cheng, 2007). Furthermore, irrespective of the camps, it is argued that the fundamental differences between the public sector and the commercial sector require the reporting framework to be designed specifically for the sector, not a minimalist revision of a commercial framework (Ouda, 2015; Oulasvirta, 2010; Wynne, 2003). However, it is argued that the private sector conceptual framework does not support the IPSASs, and, for that reason, it is argued that there are many flaws in the IPSASB's standard setting process (Oulasvirta, 2010). IPSAS is the base for the SLPSAS. In that direction, it was found that PSAFR reforms in Sri Lanka had been initiated blindly with many flaws since the SLPSAS is based on flawed IPSAS.

Almost all of the conceptual framework setters are the professional bodies in the relevant field (Jones, 1992) and it is substantially true for the private sector accounting profession in Sri Lanka where the ICASL has been empowered to set accounting standards for the private sector and GBEs. However, the study found that the Sri Lankan Public Sector Accounting profession has not been successful in standing as an institutionalised set up for the PSAFR reforms. Nevertheless, this does not mean that they have not taken steps to organise themselves into a logical institutional pattern; instead, during the 1990s, the Public Sector Accountants came under one umbrella known as IPFDA. This Institute implemented the major part of the MOF-ADB financial management training programme during the 1990s. Furthermore, IPFDA endeavoured to incorporate itself as the distinct public sector chartered accounting professional body by passing an Act of Parliament. However, the effort failed because of some political, economic and institutional barriers. Nevertheless, IPFDA did not give up the effort in reforming the PSAFR practices, and, hence, recently it was incorporated as APFASL and came under the purview of the ICASL. Contrarily, the study also found that not all the IPFDA members accepted the move and did not join the APFASL.

The emergence of APFASL, on the one hand, created a great opportunity for Public Sector Accountants to be recognized as the members of the national premier in accounting, while, on the other, the study found that all the APFASL members are expected to follow the SLPSASs. It is argued that the normative mechanism to be effective the members of a profession must be fully certified and accredited (Scott, 2014; Tolbert and Zucker, 1996; Di Maggio and Powell, 1983). Contrarily, it was found that the Public Sector Accountants are not fully certified and

accredited to the ICASL. They are only exempted from the intermediate examination of the ICASL, and, thus, it was found that the Public Sector Accountants are recognised as partly qualified Chartered Accountants. Therefore, it was found that they are not bound to the code of conduct of the ICASL and hence, they are not obliged to follow the pronouncements made by the ICASL.

Even if the Public Sector Accountants are full members of the ICASL, they are also not obliged to follow the PSAFR reforms since the code of conduct of the ICASL does not include adherence to the SLPSAS as a mandate. Also, it was found that even when the Public Sector Accountants are the full members of the APFASL, they are also not obliged to follow the SLPSASs since the APFASL does not have the code of conduct for its members. Thus, members are not morally bound to the APFASL (Scott, 2014; Di Maggio and Powell, 1983). As a result, it was found that the moral governance of the accrual accounting practices - which is the significant aspect in normative pressure - lacks in the PSAFR reforms in Sri Lanka.

The moral governance is achieved through normative practices (Scott, 2014; Tolbert and Zucker, 1996; Di Maggio and Powell, 1983). Nonetheless, the study found that the moral governance has not been achieved by incorporating the normative practices in the Public Sector Accounting profession in Sri Lanka. It is also to be noted that the normative practices are the product of professional standards and accreditation (Scott, 2014; Tolbert and Zucker, 1996; Di Maggio and Powell, 1983). The study found that the ICASL is a member of the IFAC and the APFASL has been accredited by the ICASL and the Chartered Institute of Public Finance Accountants, London. However, the effort to make SLPSASs morally governed has failed since the ICASL and APFASL do not have the enforcing authority to establish the accrual accounting practices in the public sector. Furthermore, even though the Public Sector Accountants have now been made as the public sector wing of the ICASL through APFASL, no one has a membership obligation to follow SLPSASs because the Public Sector Accountants are duty bound only to the Treasury. Overall, the study found that the PSAFR reforms have not achieved the status of moral governance as far as the Public Sector Accountants are concerned (Scott, 2014; Tolbert and Zucker, 1996; Di Maggio and Powell, 1983).

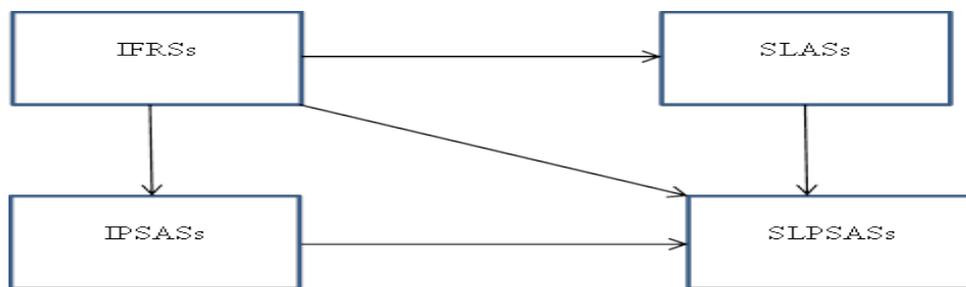
Thus, the ICASL is not legally empowered to deal with the matters about the PSAFR in the public sector. So a full member of the ICASL, even under circumstances that the code of conduct mandates to the adherence to the SLPSAS, cannot abide by since the coercive mechanism plays the superior role as far the PSAFR reforms are concerned. Therefore, it was found that the Public Sector Accountants are obliged to the Government and thus until the Government legalises and Treasury officially instructs, the PSAFR reforms will not get started. As a result, the ICASL was under compulsion to reserve the right to establish the Public Sector Accounting standards and guidelines for the PSAFR to the Government (Institute of Chartered Accountants of Sri Lanka, 2009). Overall, the PSAFR reforms have not been legitimised based on the ground that it was legally sanctioned by the Government (Scott, 2014; Tolbert and Zucker, 1996; Di Maggio and Powell, 1983).

The PSAFR reforms undergo twin pressures. One is the Pull, and the other is the Push. Pull is the initial pressure exerted to the overall system (Sri Lanka). Push is the induced pressure to the subsystem (PEs) located in the overall system. Pull is the initial pressure which alerts a system to learn and recognise the change whereas Push is the induced pressure which leads a system to adopt the change. Pull is exerted by the SNOs (coercive pressure), IFAC (normative pressure),

and the IPSAS (mimetic pressure). Push is exerted by the Government (coercive pressure), EPC (coercive pressure), ICASL/APFASL (normative pressure), and SLPSAS (mimetic pressure). The study found that there was no ‘Push’ to implement the PSAFR reforms to the PEs since Sri Lanka as a Government did not encounter the Pull. It is good to note that though the globalisation and SNOs pressure exist for transition from cash accounting practices to accrual accounting practices (Yapa and Ukwatte, 2015) the study found that the pressure has not reached to the level that alerted the Government to give priority in its policy agenda. Contrarily, the study found that the ICASL was ‘pulled’ by the membership obligation to IFAC. The ‘pull’ led a subsystem (i.e., ICASL) to intervene the operations of the overall system (i.e., Treasury). Also, the sub system is empowered only to regulate the private sector accounting practices whereas the overall system on behalf of the Government is empowered to regulate the PEs. Thus, the ‘pull’ and the ‘push’ did not match as far developing the institutional pressure to the PEs.

The circulars of the Treasury apparently supported the reform process and the Secretary of the Treasury also has positively commented on the adoption of the SLPSASs to the Public Enterprises. But it was not so to the PEs. Further, it was found that the circulars and positive commendations by the ‘political reform promoters’ could not make the PSAFR reforms binding on the PEs as they have to be legally enforced since the coercive mechanism is superior to the normative and mimetic mechanisms as far as the PSAFR reforms to the PEs are concerned. Therefore, from the discussion above, it has been brought to light that mimetic pressure has strongly backed the initiation of PSAFR reforms in Sri Lanka. It has been illustrated in Figure 2 below.

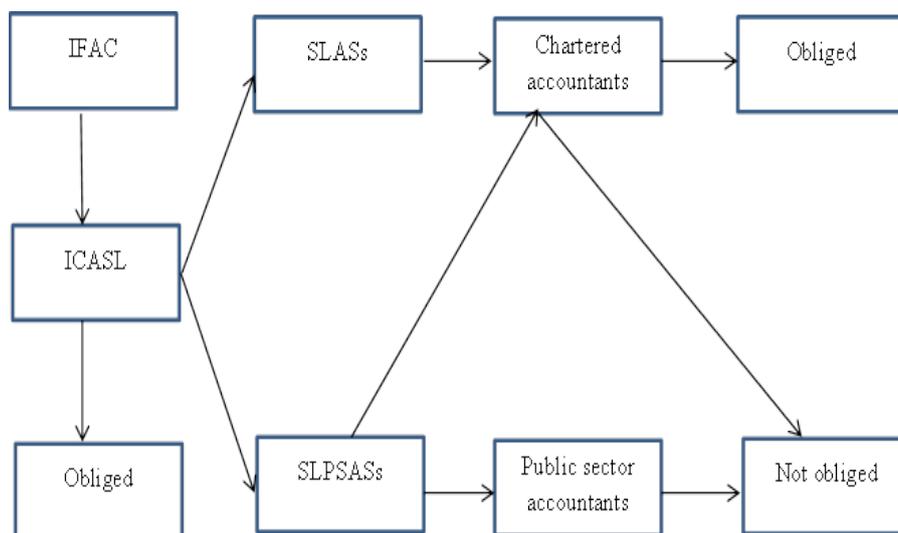
Figure 2: Status of Mimetic Pressure



Source: Interview data

The normative pressure existed only to the ICASL but not to the Government of Sri Lanka. Furthermore, although a mechanism for implementing the PSAFR reforms (i.e., APFASL) was established to create the normative pressure among the Public Sector Accountants that also proved worthless since it does not have enforcing authority as it lies outside the Governmental financial management structure. As a result, there has been no normative pressure to the Public Sector Accountants as a whole. It has been illustrated in Figure 3.

Figure 3: Status of Normative Pressure



Source: Interview data

Further, the Government of Sri Lanka has not come out with a policy framework or an Act of Parliament or amendments to the existing Acts to support the PSAFR reforms. Moreover, the Treasury has not come out with any binding circulars or guidelines to support the PSAFR reforms. Furthermore, although the Treasury has taken steps to amend the FR, thus far, they are not introduced to the PEs. Therefore, it was found that the coercive pressure has been very much less as far as the implementation of accrual accounting practices to the PEs is concerned. It has been illustrated in Table 1 below.

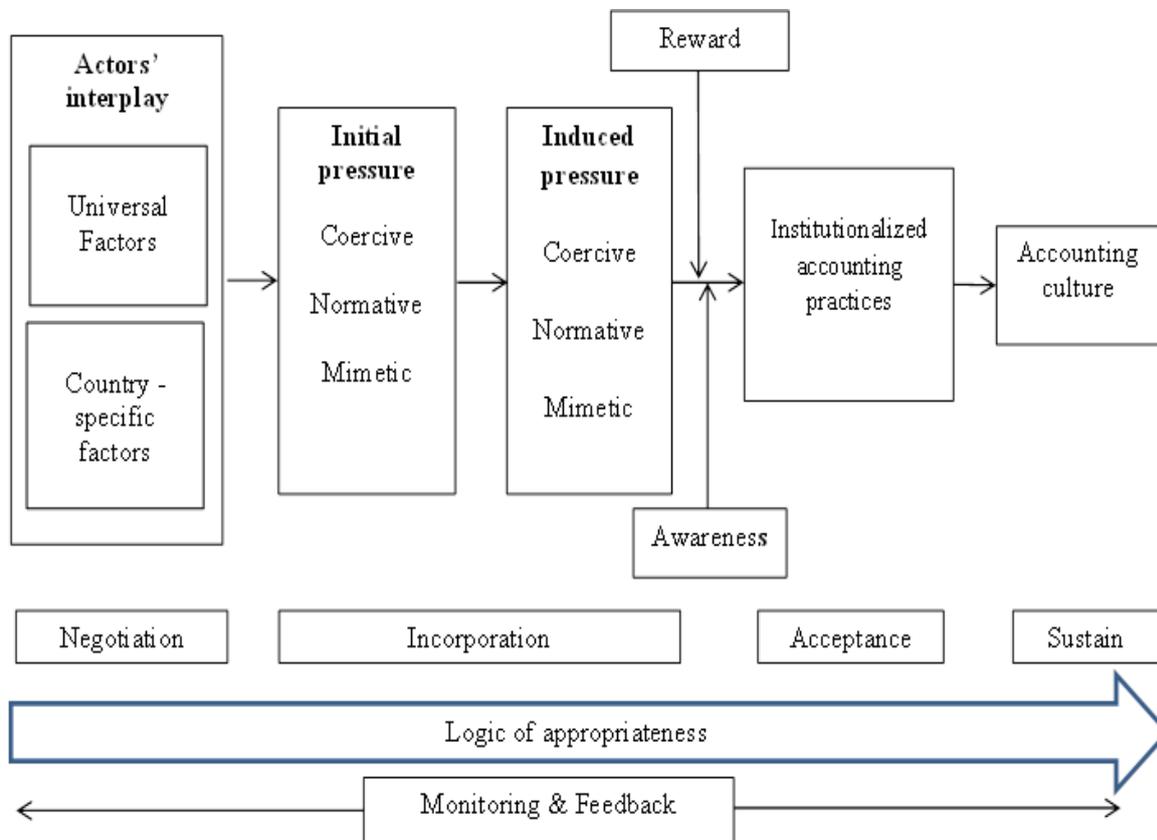
Table 1: Status of Coercive Pressure

Aspect	Status
Government policy	Not designed
Act of Parliament	Not enacted
Binding circulars	Not clear
Amendments to the Acts	Not enacted
Amendment to FR	Not designed

Source: Interview data

Based on the discussion thus far, the following institutionalisation framework has emerged from the present study as shown in Figure 4.

Figure 4: Emerging Institutionalisation Framework



Source: Interview data

7.0 Conclusion

The study has presented the institutionalization framework which could be adopted by all organizations irrespective of the sector in reform management. It is concluded that the PSAFR reforms had been logically mismatched in the Sri Lankan context. The mimetic pressure in relation to accrual accounting practices at the ‘pull’ stage was effective but not at the ‘push’ stage. Furthermore, the normative pressure in relation to accrual accounting practices at the ‘pull’ stage was effective but not at the ‘push’ stage. The coercive pressure in relation to accrual accounting practices at the ‘pull’ stage was marginally effective but at the ‘push’ stage it was not effective. As a result, the negation of pull and push had caused no impact to the PEs. Thus, the PSAFR reforms have not been accepted by the PEs and therefore failed. Furthermore, the study has extended the institutional mechanism articulated by Scott (2014) (Table 1) into initial pressure (i.e., pull) and induced pressure (i.e., pull) as shown in the Table 2. Further, it is argued that the logic of appropriateness did not prevail at each rostrum of the institutionalization process. In addition the study concludes that the absence or lack of awareness, reward, and

monitoring and feedback are also important factors which caused the implementation of PSAFR reform a failure.

Table 2: Extension to Institutional Mechanism

Mechanisms	<i>Pull</i>	Coercive	Normative	Mimetic
	<i>Push</i>			

Source: Interview data

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