Dictating Factor:
Public Sector Accounting and Financial Reporting Reforms in Sri Lanka

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Introduction

New Public Management (NPM), which was initiated in the latter part of the 1970s in the world involves in the introduction and incorporation of the private sector management practices to the public sector (Buhr, 2012; Hood, 1995). Thus, NPM sets the background for New Public Financial Management (NPFM)by incorporating private sector financial management practices to the public sector (Buhr, 2012; Soverchia, 2012; Broadbent and Guthrie, 2008).One of such NPFM reforms is the injection of private sector accrual accounting practices to the public sector, which is referred to as Public Sector Accounting and Financial Reporting (PSAFR) reforms (Nagendrakumar, 2017a). As a result, NPM has become a powerful platform for PSAFR reforms including Sri Lanka (Nagendrakumar, 2017b; Abeysinghe & Samanthi, 2016).

Rsearch Problem

It is observed that the implementation of the accrual accounting practices to the pulic entities in Sri Lanka has not been a successful attempt (Nagendrakumar, 2017b; Abeysinghe & Samanthi, 2016). The universal and country specific factors have significant impact on the PSAFR reforms (Brusca et al., 2013; Buhr, 2012)). The universal factors are applicable worldwide which had already been found in the literature, whereas the country specific factors are related to a specific country context. However, the impact of the universal and country specific factors for the PSAFR reforms in Sri Lankan context are not known.

Objectives

This study attempts:

To elevate the impact of universal factors on the PSAFR reforms in Sri Lanka

To identify the country specific factors which affect the PSAFR reforms in Sri Lanka

To elevate the more dictating factor of PSAFR reform in Sri Lanka.

Methodology

The present study is related to the recent developments in PSAFR reforms in Sri Lanka. Therefore, the collecting rich and updated data is possible from the top level financial management in the public sector. As a result, the purposive sampling method was adopted. The sample comprised three types of agencies; one was the initiating agencies:

The Institute of Chartered Accountants of Sri Lanka and the Association of Public Finance Accountants of Sri Lanka, second was the implementing agency: Eastern Provincial Council and the third was the controlling agency: Treasury. Further, a typical case to ensure the rival voice was also selected *viz.*the divergent voice: Chartered Institute of Management Accountants (CIMA). All respondents were attached to the Public Entities. Accordingly, the data for this study was gathered through 30 semi-structured interviews. The interview lasted 45 minutes on average. The field data were coded using the NVivo data management system and then thematic analysis was carried out (Braun and Clarke, 2006). Themes were found by familiarizing with the data set, transcribing verbatim, generating initial codes, searching for themes, reviewing the themes, and defining and naming the themes.

Discussion of Findings

It was noted that accounting scholars have identified ten universal factors associated with the PSAFR reforms. They are accounting tradition and reformation culture (Grossi & Soverchia, 2011); political culture (Brusca et al., 2013); nature and type of activities of the PEs (Soverchia, 2012); role played by senior management towards change (Buhr, 2012); external pressure (Rayegan, et. al, 2012); need for change in budgeting practices (Blondal, 2004); need for reflection (Soverchia, 2012); cost of conversion (Trewavas *et al.,* 2012); information technology (Blondal, 2004); and self - initiatives of the particular country or PEs (Al Husaini & Gowda, 2008).Besides, the study found that there are six country specific factors *viz.*change in staff attitude, change in country status, need for change in recruitment practices, globalisation effect, need for lower level support, and the structure of accounting services that have influenced the PSAFR reforms in Sri Lanka.

Seven out of ten universal factors and four out of the six country specific factors are negatively associated with the PSAFR reforms. Accordingly, five out of sixteen had positively influenced the PSAFR reforms. However, it was also found that the magnitude of the pressure by the positively associated factors had played differently as far as the PSAFR reforms in Sri Lankan context are concerned (*e.g.,* change in country status). In other words, the positive interaction of the five factors has not exerted the acceptable level of pressure to Sri Lankan Government.

The change in country status means that Sri Lanka has moved from developing country to lower level middle income country status. It is expected to achieve the upper middle income country status in 2020. The economic impact of this change is that Sri Lanka is no more entitled for the grant from World Bank, International Monitory Fund, etc. (external pressure) and therefore, it needs to go to the international financial and money market and compete for the short and the long term capital requirements (Globalization effect). The present day system of PSAFR in Sri Lanka does not match with the international standards of financial reporting (need for reflection). Therefore, Sri Lanka is compelled to benchmark the international best accounting practices (Globalization effect).Also, the need for modernization of the PSAFR emerged during the 1960s in Sri Lanka (self-initiatives) but it never led Sri Lanka to compete in the global market for its funding requirements.

Conclusion

Most of the factors have negative impact on PSAFR reforms. However, three universal factors and two country specific factors have positive impact on the PSAFR reforms. It was also found that change in country status has become the dictating factor for PSAFR reforms in Sri Lanka. However, it was also found that Sri Lanka has not yet realised the significance of the dictating factor and therefore, has not given prominence for the change. Thus, though Sri Lanka has not breath the graveness of the change in country status and the resultant economic coupled with the PSAFR impact, it would be compelled to realize very soon.

Keywords: Dictating Factor; Public Sector Accounting; Financial Reporting Reforms; Accrual Accounting; Sri Lanka

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