

ABSTRACT

This study attempted to explain and understand why and how the recent Public Sector Accounting and Financial Reporting reforms to the public entities in Sri Lanka failed. The study argues that the failure is due to three reasons: Loss of logic of appropriateness of the accounting system, loss of logic of appropriateness of the implementation process; and finally, the negative impact of the actors associated with the reforms. The research problem lies within the phenomenon of institutionalisation of the accrual accounting practices to the public entities in Sri Lankan context. As a result, this study employed Institutional Theory as the theoretical lens to understand and explain why and how the reform failed. Further, the institutionalisation of the accrual accounting practices leads to the change in social behavior. Also, the Public Sector Accounting and Financial Reporting reform is a contemporary event in the Sri Lankan public sector. Thus, the present study espoused the qualitative methodology and case study strategy to elevate the phenomenon. Conspicuously, the present study employed the 'deductive way' of qualitative research and as a result, it theoretically positioned the research questions and accordingly, developed eight study propositions. In that line, this study, using 27 semi structured interviews and employing theoretical thematic analysis method attempted to explore three objectives: First, is to explore whether the Public Sector Accounting and Financial Reporting reforms failed; second is to explore the appropriate accounting practices to the Public Entities; third, is to explore the actors and how they led to the failure. The study concludes that the Public Sector Accounting and Financial Reporting reforms failed since of loss logic of appropriateness of the accounting system and implementation process coupled with the negative impact of the actors involved in the reform process. Particularly, the study found that though the initial pressure (pull) for the reforms was existed the induced pressure (push) did not. Also, the push negated the pull causing a counterbalance to the overall pressure to the public entities. As a result, the public entities did not face the institutional pressure what so ever in adopting the accrual accounting practices to their domain. Further, the study found that the accrual accounting practices fit the 'Centre,' and hybrid accounting practices fit the 'Peripherals.' The present study contributes to Accounting and Institutional Theory by setting light on how to institutionalise the Public Sector Accounting and Financial Reporting reforms to the public entities. This study has added value to the Institutional Theory by extending the institutional mechanism into initial pressure (pull) and induced pressure (push). Further, the study has introduced the 'fundamental nature' of the institution and its impact on deinstitutionalisation. Also, the study has conceptualised the institutionalisation process for Public Sector Accounting and Financial Reporting reforms explaining the subjectivity nature of the structural arrangements. Moreover, it has added value to the Accounting Theory by proposing the Continuum of Accounting Practices and how it functions as the theoretical warning to the countries that opt for similar reforms. Nevertheless, the study is limited to explaining and understanding the conscious institutionalisation of the Public Sector Accounting and Financial Reporting reforms and its failure in the public entities in Sri Lanka. The researcher - participant relationship and researcher as the instrument of data analysis were considered to be limitations of this research. However, the 'deductive way' of the qualitative study, the theoretical positioning of the research questions, pattern matching logic, theoretical thematic analysis, and multiple sources of evidence minimized the limitations to the extent possible and led the study generalizable to similar cases.

Key Words: Pull, Push, Public sector accounting and financial reporting, Institutional theory, Institutionalisation, Accrual accounting practices, Continuum of accounting practices, Fundamental nature of institution, Sri Lanka