

IMPLEMENTATION PROCESS OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

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A dissertation submitted to Ghent University in partial fulfillment of the requirements for the degree of
Doctor in Business Economics

Academic year: 2017 – 2018

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Summary

This dissertation consists of three articles regarding the accrual based accounting reforms in governments. Although the articles aim at different research questions, they all address implementation and adoption of accrual accounting in relation to the International Public Sector Accounting Standards (IPSAS). Despite the vast amount of studies, some loose ends remain in the research of adoption and implementation of business-like accrual based standards in the public sector. Moreover, the drivers and the limitations of accrual accounting in the context of public sector in emerging countries are still a ‘black box’. The Turkish local and central governments context is particularly conducive for this study as Turkey has introduced new principles and instruments aiming at reforming and modernizing public sector accounting. This way, the Turkish situation represents an interesting object especially in the context of emerging countries.

This dissertation aims to open this black box by clarifying the mechanisms underlying the adoption and implementation of accrual based rules and its outcomes. The field of tension between what has to be adopted / implemented and what has been adopted and implemented in the real world constitutes the research area of this doctoral dissertation.

Given this background, in the first study, we underline factors affecting the level of compliance to accrual based accounting rules in the local government level in an emerging country, as an opening article which presents the general situation in 102 municipalities. As a very fresh finding of the study, we highlight two new emerging country-like variables that significantly increase the level of compliance to accrual based rules: implementation of European Union funded projects and newly founded municipalities. Other than these two variables, we analyze six control variables including municipal size, municipal wealth, citizen education level, staff education level, debt ratio and external audit. We find that coercive institutional pressure to implement accrual-based rules in the context of emerging countries may become a potent force when a supreme audit institution has conducted an audit and there is resource dependence on an international body.

In the second study, we focus on the reasons for the shortfalls in the level of formal and material harmonization regarding the implementation of accrual-based IPSAS rules considering the disclosure of financial statements. We analyze the law, the executive order and the Turkish Central Government Public Reports by using a mixed method approach. In the developing country context, we highlight that there are several discrepancies between the law and the executive order. As a new finding in a developing country context, we suggest that many of the shortfalls are intentionally instigated by creating discrepancies between the law and the executive order in order to protect the internal structure of public organizations.

The findings of the first two studies take us to the third study. We focus on the isomorphism and we ask what limitations arise to isomorphism during the adoption and implementation processes of the accrual-based rules. As a result, we found that isomorphic influences prove to be successful in promoting the institutional change and may enhance the implementation up to a certain threshold, mainly depending on the regulatory and conceptual limitations of the related country. We argue that what political actors choose to adopt is not a proxy for what they want to implement, especially in terms of externally driven isomorphic forces, since the intentions may change over time. As long as coercive isomorphic forces are primarily relied upon for what has been adopted, change will be limited with regard to reaching the intended outcomes of accrual accounting implementation.

Samenvatting

Dit proefschrift bestaat uit drie artikels die betrekking hebben op de “accrual based accounting”-hervormingen bij overheden. Hoewel de artikels op verschillende onderzoeksvragen gericht zijn, hebben ze allemaal betrekking op de implementatie en toepassing van “accrual accounting” in relatie tot de International Public Sector Accounting Standards (IPSAS). Ondanks de enorme hoeveelheid studies, zijn er nog steeds onopgeloste vragen in het onderzoek naar de toepassing en implementatie van bedrijfsmatige “accrual based” normen in de publieke sector in het bijzonder in opkomende landen. Bovendien zijn de drijvende krachten en de beperkingen van “accrual accounting” in de context van de publieke sector in opkomende landen nog steeds een “black box”. De context van Turkse lokale en centrale overheden is in het bijzonder bevorderlijk voor deze studie, aangezien Turkije nieuwe beginselen en instrumenten heeft ingevoerd om de boekhouding van de publieke sector te hervormen en te moderniseren. Op deze manier vormt de Turkse situatie een interessant onderwerp, vooral in de context van opkomende landen.

Dit proefschrift is bedoeld om deze “black box” te openen door de mechanismen te verduidelijken die aan de basis liggen van de toepassing en implementatie van “accrual based” regels en de uitkomsten hiervan. Het spanningsveld tussen wat moet worden toegepast/geïmplementeerd en wat effectief werd toegepast en geïmplementeerd vormt het onderzoeksdomein van dit proefschrift.

Gegeven deze context, benadrukken we in de eerste studie de factoren die van invloed zijn op de naleving van de “accrual based accounting”-regels op het niveau van de lokale overheden in een opkomend land, als een openingsartikel dat de algemene situatie in 102 gemeenten weergeeft. Met het oog op het analyseren van vernieuwende inzichten belichten we in het kader van opkomende landen twee nieuwe variabelen die het niveau van naleving van “accrual based” regels aanzienlijk verhogen: de implementatie van projecten die door de Europese Unie gefinancierd zijn en nieuw opgerichte gemeenten. Behalve deze twee variabelen analyseren we zes controlevariabelen, waaronder gemeentelijke omvang, gemeentelijke rijkdom, opleidingsniveau van burgers, opleidingsniveau van personeel, schuldgraad en externe audit. Wij vinden dat dwingende institutionele druk om “accrual based” regels te implementeren in de context van opkomende landen een belangrijke invloed heeft door de audit van het rekenhof en door de afhankelijkheid van middelen van een internationale instantie.

De tweede studie bestudeert de redenen voor de tekortkomingen qua formele en materiële harmonisatie tijdens de implementatie van “accrual based” IPSAS-regels. Hierbij ligt de klemtoon op de openbaar gemaakte jaarrekeningen. We analyseren de wet, het uitvoeringsbevel en de openbare rapporten van de Turkse centrale overheid met behulp van een gemengde methode. In de context van opkomende landen wijzen we erop dat er meerdere verschillen ontstaan tussen de wet en het uitvoeringsbevel. Als een nieuwe bevinding in een ontwikkelingsland-context, stellen we vast dat veel van de tekorten opzettelijk worden veroorzaakt door het creëren van verschillen tussen de wet en het uitvoeringsbevel om de interne structuur van publieke organisaties te beschermen.

De bevindingen van de eerste twee studies brengen ons naar de derde studie. We richten ons op het isomorfisme en we stellen de vraag welke beperkingen zich voordoen met betrekking tot isomorfisme tijdens de adoptie- en implementatieprocessen van de “accrual bases” regels. Als resultaat vonden we dat isomorfe invloeden succesvol blijken te zijn in het bevorderen van de institutionele verandering en de implementatie tot een bepaald niveau kunnen verhogen, voornamelijk afhankelijk van de wettelijke en conceptuele beperkingen van het gerelateerde land. We argumenteren dat wat politieke actoren kiezen om te adopteren geen proxy is voor wat ze willen implementeren. Dit blijkt vooral in termen van extern gedreven isomorfe krachten, omdat de intenties in de loop van de tijd kunnen veranderen. Zolang dwangmatige isomorfe krachten primair worden ingeroepen voor wat is aangenomen, zal de verandering beperkt zijn met betrekking tot het bereiken van de beoogde resultaten van de implementatie van de “accrual based accounting”.

I dedicate this thesis to my daughter, Sena.

Her existence is my inspiration....

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CHAPTER 1- INTRODUCTION

1.The Concept of Accrual Accounting

In recent decades, the public sector has been influenced by reforms and this new method of public management, which emphasizes incentives, competition, and performance, is known as *New Public Management* (NPM). It replaces the traditional reliance of public administration on rule-based hierarchies with representative democracy (Lynn, 2006:2). The wave of reforms started mainly in developed countries, spreading throughout the majority of the world by the late 1990s (Batley and Larbi, 2004; Pollitt and Bouckaert, 2004; Dibben, et al., 2004).

The process of reform has not been the same in all countries; in some countries there has been a strong diffusion of NPM ideas. However, in others, the reform process has perhaps been more a result of national or local initiatives which have subsequently been labelled as NPM (Pollitt and Bouckaert, 2004). In any case, NPM principles have spread throughout many countries, producing a paradigm shift towards a managerial vision in public sector organizations; this has affected a range of supranational organizations and bodies, such as Organization for Economic Co-operation and Development (OECD), International Monetary Fund (IMF), World Bank (WB), and via these organizations the Anglo-Saxon experience has been spread (OECD, 1997).

Due to still ongoing reforms in taking over management tools, particularly due to the transfer of NPM and accounting systems from the entrepreneurial world to governments, from 2000 on the International Federation of Accountants (IFAC), and in particular, the International Public Sector Accounting Standards (IPSAS) Board has developed the IPSAS. These IPSAS have been strongly influenced by the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) for the profit sector, and remain closely related, except for a few standards. There are several objectives, such as the convergence of international and national standards, uniformity of financial reporting, greater credibility, transparency, etc. In applying NPM, several governments have moved from cash to accrual accounting principles. But while some countries, in particular, some Anglo-Saxon countries, demonstrate a high level of homogeneity with the IPSAS, others need to make greater efforts to adapt their accounting systems (Benito et al., 2007: 314). Turkish governments have also adopted accrual accounting and taken important

steps towards adopting their recent accrual accounting system to IPSAS. In other words, within the context of public sector accounting, NPM has an important effect on accounting rules in Turkey, particularly after 2004 mainly based on the issue of Public Financial Management Control Law (PFMCL) No: 5018.

2.Highlighting the structure and research gaps

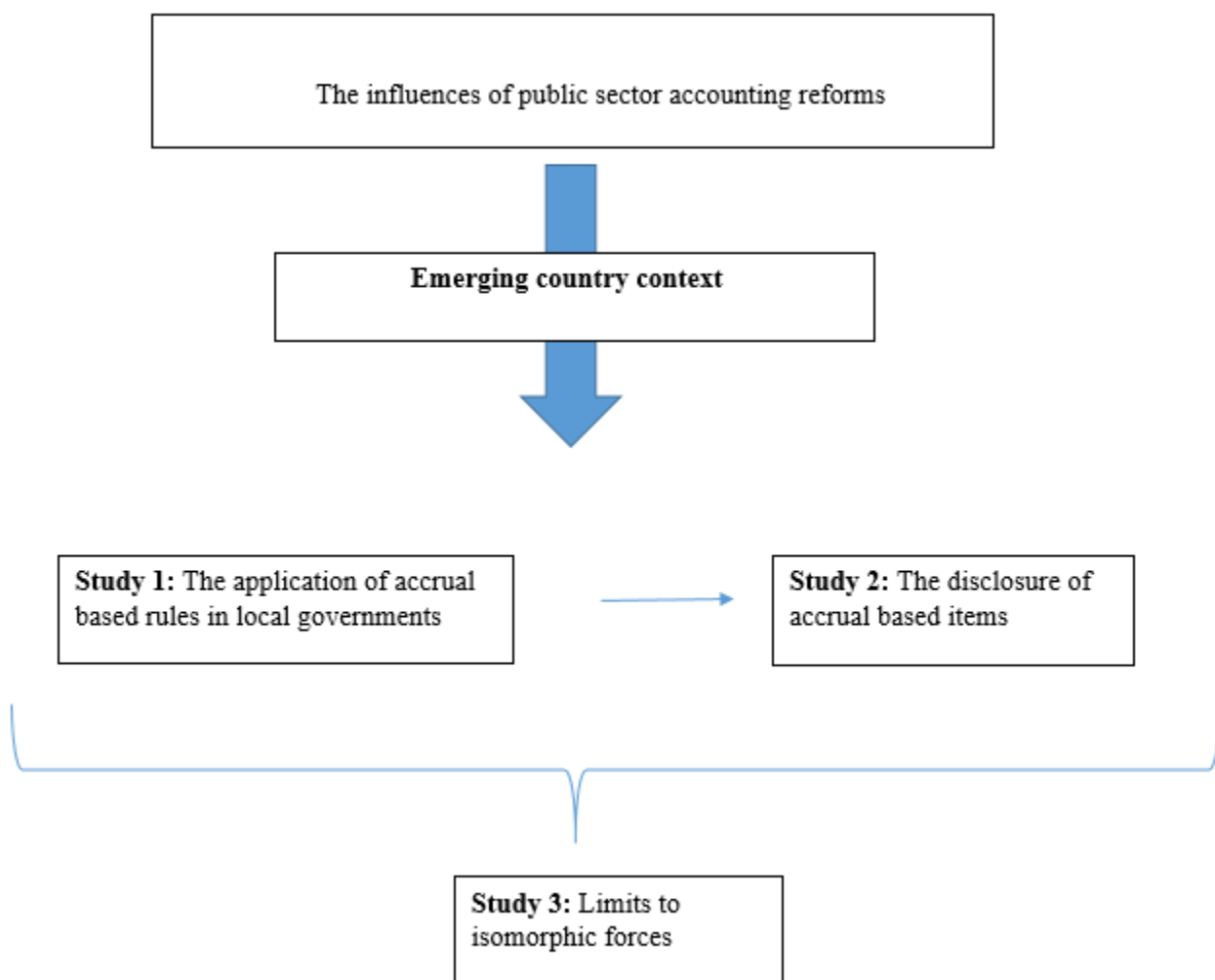
Although there is a controversy in the literature on accrual accounting, such as accrual accounting does not fit public sector (Ellwood, 2009) but fits to government business units (Christiaens and Rommel, 2008); the output of the accrual accounting is not more useful than cash accounting (Paulsson, 2006); the efficiency of the local governments do not change by using accrual accounting (Doumpos and Cohen, 2014); the use of accrual accounting in the public sector may not be neutral in its impact (Carlin, 2005) among others; developing countries have too eagerly and readily accepted the adoption of accrual accounting (Deaconu et al., 2011) to conform with the expectations of the international organizations; in most of the cases, such reforms resulted with less change than expected (Andrews, 2012) and thus heterogeneity continued in different ways. There is a clear gap between the intended outcomes from accrual accounting and what has been obtained from its implementation in the public sector (Haveri, 2006; Andrews, 2011; Adhikari and Garseth-Nesbakk, 2016).

The field of tension between what has to be adopted / implemented and what have been adopted / implemented in the daily practices constitutes the research area of this doctoral dissertation. We particularly focus on public accounting due to the fact that the public accounting reforms have been one of the most striking aspects of NPM (Lapsley & Pallot, 2000; Christensen, 2007; Christensen & Parker, 2010; Ball & Craig, 2010; Pollanen & Loiselle- Lappointe, 2012). Accrual accounting, which is closely related to public-sector accounting reforms, has been studied in various contexts from various perspectives. However, there is limited evidence on the adoption of accrual accounting in emerging countries (e.g., the role of accountants in accounting reform in Malaysia, Nor-Aziah & Scapens (2007) and Saleh (2007); the accounting reform model in Thailand, Upping & Oliver (2012); accounting reform in Indonesia, Marwata & Alam (2006); the adoption of accrual accounting in Indonesia, Harun & Robinson (2010); and local government accounting reform in Indonesia, McLeod & Harun (2014)).

Although the studies concentrate on particular topics, they also have common elements. The three papers investigate the accrual accounting based rules in various ways in an emerging country, Turkey. The three studies in this doctoral dissertation contribute in various aspects to the current knowledge

regarding the accrual accounting adoption and implementation. Firstly, we empirically investigate the factors affecting the level of compliance to accrual-based accounting rules in local governments by shedding light on emerging country-like variables. Secondly, we highlight the reasons for the shortfalls in the formal and material harmonization in central governments regarding the accrual-based rules in IPSAS. Thirdly, we underline the limitations to isomorphism in the adoption and implementation of accrual based rules in central governments.

Figure 1: Structure of the dissertation



2.1. Trajectories of change in Turkey

Turkish public administration has been subject to substantial legal and structural reforms (Sözen, 2012, p. 168), mainly due to the process of accession to the EU.

As part of public reforms, moving from cash basis accounting to accrual basis accounting started with the implementation of an automated online accounting system called “Say2000i”. “Say2000i” was introduced in order to apply accrual-based rules to public-sector accounting and sought to integrate the outputs of the public sector under the umbrella of a unique IT system. Simultaneously, with the introduction phase of “Say2000i”, training of accounting staff in the public sector began, and IT systems were implemented in both central and local government units. This web-based automation project collected daily data from 1500 points around Turkey in a database, and the General Directorate of Public Accounts became capable of seeing the transactions in real time. The implementation of “Say2000i” was one of the most significant events in public-sector accounting to achieve public financial management reform. However, for a number of reasons, it is impossible to truly say that the original targets have been reached (Çetin, 2010).

In 2002, the AKP won the majority of seats in the National Assembly, and this created space to pursue the reforms (Sözen, 2012, p. 168). In particular, administrative reforms have been one of the key priorities of the AKP governments, and by the end of 2003, the “Public Financial Management and Control Law, No: 5018” (PFMCL) was issued and replaced the outdated 1927 Law on Public Accounting by introducing an accrual-based accounting system and consolidating the reporting requirement for the general government as an important success. The introduction of the PFMCL mainly addressed an individual chapter in the EU accession negotiation (Kesik, 2005). This accrual-based governmental accounting law is applicable to all institutions, including central governments, local governments and social security institutions. The most important aspect introduced by this law was the prospect of a uniform accounting system on an accrual basis and in accordance with international accounting and reporting standards. Other innovations provided by the PFMCL No: 5018 were five-year strategic plans, the establishment of internal control departments and the announcement of annual activity reforms.

Moreover, similar to several other developing countries, the Turkish government agreed on adopting the international accrual-based standards recommended by the International Public Sector Accounting Standards Board (IPSASB). The Ministry of Finance in Turkey (General Directorate of Public Accounts) decided to adopt and implement those standards and provided commitments to all international

organizations and institutions in this regard with the support of Minister of Finance. The Government Accounting Standards Board, which was established under the body of the Ministry, started its activities in 2006. A working group, consisting of different departments and organizations, such as the Treasury Department, Ministry of Finance, [Turkish Court of Accounts](#), and Ministry of Development, is adopting IPSAS into governmental accounting standards. The working group started the adoption process on March 26, 2007. Initially, the timeline for the adoption process was from 2007 to 2012, but the adoption process still continues without any definite date for full implementation of the Turkish IPSAS, despite the adoption in terms of legislation. The current regulations applied in practice in the central government, called the Central Government Management Regulation and General Management Accounting Regulation, are formulated based on the PFMCL. In addition, the 13th article of the General Management Accounting Regulation states that “the changes in the (general management accounting) regulation should be in line with the international developments”. This current status of governmental accounting environment constitutes the background of the dissertation and the following research questions aims to understand better understand the current status.

2.2. Study 1: Why do some municipalities apply accrual based rules more than others? Evidence from Turkey

Administrative reforms, such as the implementation of accrual-based rules, are particularly encouraged by international organizations. Since these organizations can be viewed as external actors, the above-referenced reforms can be characterized as top-down reforms and it is important to understand how local governments react to these rules, standards and reforms as practitioners (Sezen, 2011: p.322). Moreover, it is crucial to understand why some municipalities demonstrate a higher level of compliance with accrual-based rules. It shows that some factors clearly increase the level of compliance such as the external audit, the implementation of EU- funded projects and being a newly founded municipality. The first study contributes to the literature on governmental accounting by adding institutional factors other than economic variables that affect the level of compliance and underlines that the coercive institutional pressure to implement accrual-based rules may become a potent force when a supreme audit institution has control and there is resource dependence on an international body. Moreover, as a crucial contribution for the developing country context, our findings indicate that compliance level is positively associated both with the implementation of EU-funded projects and with newly founded municipalities.

2.3.Study 2: The magic shoes of IPSAS: Will they fit Turkey?

In the second study, we focus on the reasons for the shortfalls in the level of formal and material harmonization regarding the accrual-based rules in IPSAS in the aspect of disclosure items. Previous studies have demonstrated that failure in the disclosure level of the financial reporting is caused by numerous problems that arise during the implementation process (Allen and Sanders, 1994; Ryan et al., 2002; Pina and Torres, 2003; Giroux and McLelland, 2003; Coy and Dixon, 2004; Tooley and Guthrie, 2007; Benito et al., 2007). Several studies highlight the problems causing a gap between the executive order (the regulations that are needed to implement the law) and the daily practices (daily practices) which is also called material harmonization. However little attention has been paid to the gap between the law and the executive order, which is called formal harmonization. Therefore, apart from the gap between the executive order and the daily practices (material harmonization); insight into the gap between the executive order and the law (formal harmonization) could be an important factor in order to open the black box of the accrual based accounting adoption and implementation.

2.4.Study 3: Implementation of IPSAS: Limitations to isomorphism

The third study further delineates on the isomorphism and questions what limitations arise to isomorphism during the adoption and implementation processes of the accrual-based rules. We mainly ask what limitations arise to isomorphic influences in the given political and regulatory context of a country beyond technical and practical problems as pointed in the previous studies (Van Helden and Uddin, 2016; Goddard et al., 2015), and we argue why isomorphic influences remain insufficient in promoting the change. In order to fill this gap, we focus on the adoption and implementation of accrual based rules in the context of public sector where the isomorphic influences remain insufficient to promote the change. We make our analysis from a different point of view and make a distinction as level 1 and level 2, because Powell and Colywas (2008, p. 204) underlined that meaning (adoption as level 1) and actions (regulations needed for implementation as level 2) are distinctive institutional elements to investigate. Distinguishing among these three processes is crucial to bridging the gap between what has been adopted in level 1 and level 2 and what has been implemented and thus where isomorphic forces confront limitations.

3.Research methods

3.1. Quantitative research method

In the first study, the data are collected through a compliance index in order to measure the level of compliance to accrual accounting. The index is a quantitative measure of the qualitative aspects of both financial accounting and reporting. Similar to Christiaens (1999), Coy and Dixon (2004), Da Costa Carvalho et al. (2007), and Christiaens and Van Peteghem (2007), we used the compliance index to measure each municipality's level of compliance. The elements in the index, which consist of 39 elements, have been measured dichotomously. We performed a multiple regression analysis (Cohen, Cohen, West & Aiken, 2013) to assess the association between the predictors and the level of compliance.

3.2. Mixed – method research

In the second study, we use a mixed-method approach (Tashakkori and Teddlie, 1998) to improve our understanding of where and why the adoption and implementation of accrual accounting in the public sector fails. Thus, first, in the quantitative part, we use a table derived from the disclosure items (Benito et al., 2007, p. 303) to calculate the formal and material harmonization level as a means to determine the reasons for shortfalls. Second, in the qualitative part of the second study and in order to interpret the results of the table and explain the differences between the executive order and actual practices under IPSAS, we conducted semi-structured interviews with key experts so that we could gain insights into their perceptions (Atkinson and Shaffir, 1998). Moreover, qualitative research can find out the reasons that cannot be seen easily by the help of quantitative studies (Yin, 2010). Furthermore, in the third study, methodologically, a single case study (Yin, 2010) is designed by combining multiple data collection methods, including semi-structured interviews and an analysis of internal documents.

4. Main theories

Institutional theory is mainly related to an organization's interaction with its environment, the effects of social expectations on the organization and the institutionalization of these expectations in the processes of the organization. DiMaggio and Powell (1983) identify three mechanisms that secure isomorphic change and thus legitimacy: coercive isomorphism, normative isomorphism and mimetic isomorphism. Coercive isomorphism is characterized by the imposition of rules to adopt the same types of changes in both structures and processes, and it is mainly about complying with the compulsory regulations, laws and

requirements of the market, which highlights the importance of the factors that the organization imposes upon the individual as a condition of appropriate behavior (Fogarty, 1992). Mimetic isomorphism defines the adoption of changes that are experienced by other organizations. Normative isomorphism, which is associated with professionalism, refers to the strong influence and pressure exercised by professionalism.

This dissertation has been built mainly on institutional theory. I use institutional theory to gain profound insight into the motivations of adoption and implementation of accrual based rules. We find explanations for the homogeneity in the institutional theory. Because of this incongruity between institutional pressures and an organization's exertions, institutional theorists argue that formal structures and actual operations of the formal structures often become "decoupled" (DiMaggio and Powell, 1991, p. 67; Nor-Azizah and Scapens, 2007, p. 213, Bromley and Powell, 2012). Decoupling is described as a gap between policy and practice that protects the technical core and the internal structures of an organization (Nor-Azizah and Scapens, 2007, p. 213) and I used decoupling as an explanation for these gaps.

As another theory used in the dissertation, the fundamental assertion of resource-dependence theory is simply stated by Pfeffer and Salancik (1978) that the key to organizational survival is the ability to both acquire and maintain sources. Organizations are not completely autonomous; instead, their resource needs cause them to be dependent on their environment. An organization's degree is determined by the importance and concentration of the resources that it is provided (Froelich, 1999). To understand organizational decision making, the resource-dependence perspective focuses primarily on external factors (Carpenter & Feroz, 2001).

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CHAPTER 2- WHY DO SOME MUNICIPALITIES APPLY ACCRUAL-BASED RULES MORE THAN OTHERS? EVIDENCE FROM TURKEY*

Abstract

In the last decades, public sector has been influenced by New Public Management emphasizing incentives, competition, and performance. With the effect of New Public Management, implementation of accrual accounting based rules in the local government level has been studied from different aspects and within different contexts. In this study, we seek to further delineate factors affecting the level of compliance to accrual based accounting rules in the local government level in an emerging country - Turkey -. We shed light on two new emerging country-like variables: implementation of European Union funded projects and newly founded municipalities; with other six control variables including municipal size, municipal wealth, citizen education level, staff education level, debt ratio and external audit. Data, to be analyzed, is gathered from 102 Turkish municipalities. We use a compliance index in order to assess the level of compliance of the municipalities with accrual based rules. Institutional theory and resource dependence theory have been employed in order to increase our understanding on the factors affecting the level of compliance. The results show moderate compliance, 61.2 %, with the accrual based rules. Predictors that have clearly significant effect on the level of compliance are respectively, the external audit ($b = .123$, $\beta = .450$, $p = .000$), implementation of EU funded projects ($b = .074$, $\beta = .267$, $p = .002$) and being a newly founded municipality ($b = .071$, $\beta = .155$, $p = .031$).

Key words: Accrual accounting, emerging countries, new public management, public sector reform, Turkey.

*A version of this study is published in *Economics and Management* in 2017, 20 (3).

1.Introduction

In recent decades, public sector accounting reforms have been one of the most striking aspects of the adoption of New Public Management (NPM) (Lapsley & Pallot, 2000; Christensen, 2007; Christensen & Parker, 2010; Ball & Craig, 2010; Pollanen & Loisel-Lapointe, 2012). Accrual accounting, which is closely related to public-sector accounting reforms, has been studied in various contexts from various perspectives (Pallot, 1994; Shand, 1990; English, Guthrie, and Carlin, 2000; Ryan, 1998; Carnegie & Wolnizer, 1995; Barton, 1999; Carnegie & Wolnizer, 1999; Salinas, 2002; Carlin, 2005). However, the literature has presented limited evidence of the adoption of accrual accounting in emerging countries (e.g., the role of accountants in accounting reform in Malaysia, Nor-Aziah & Scapens (2007) and Saleh (2007); the accounting reform model in Thailand, Upping & Oliver (2012); accounting reform in Indonesia, Marwata & Alam (2006); the adoption of accrual accounting in Indonesia, Harun & Robinson (2010); and local government accounting reform in Indonesia, McLeod & Harun (2014)).

Administrative reforms such as the implementation of accrual-based rules are particularly encouraged by the European Union (EU), the International Monetary Fund (IMF) and the World Bank (WB). Because these organizations can be viewed as external actors, the above-referenced reforms can be characterized as top-down reforms. However, it is important not to overlook local governments—which can be viewed as internal actors—as practitioners of rules, standards and reforms (Sezen, 2011: p.322). There are several important reasons that the emerging country of Turkey represents an interesting and important case of policy transfer, including (for example) the implementation of accrual accounting at the local government level. First, Turkey does not fit into either Europe or the Middle East (Müftüler Bac, 2005: p.18), in addition there is an ongoing negotiation to join EU. Turkey's long road to EU membership affects all levels of society, including local governments, and most of the EU's directives will be implemented at the local level. To the best of our knowledge, the EU's effect on the implementation of accrual-based rules has not been studied at the level of local government. Second, emerging countries have a rapidly increasing population. Turkey's population was 56.4 million in 1990, 67.8 million in 2000, 73.2 million in 2010 and 77.6 million in 2014. Rapid urbanization, a growing labor force and high youth unemployment are additional social factors that have implications for social policy (Sözen & Shaw, 2002: 478). Because of this rapid urbanization, new municipalities are being created to address societal needs. In this context, our research has been stimulated by the implementation and consequences of accounting reforms in newly established municipalities; to the best of our knowledge, this has never been studied before.

The effects of these accounting reforms—including municipal size, municipal wealth, citizen education level, staff education level, debt ratio, external audits, implementation of EU-funded projects and newly created municipalities—have resulted in various levels of compliance with accrual-based rules among Turkey’s new municipalities. This leads us to question *why some municipalities demonstrate a heightened level of compliance with accrual-based rules*. Examining 102 Turkish municipalities, we employ institutional theory and resource-dependence theory to increase our understanding of the factors that affect the level of compliance with accrual-based rules. We performed a multiple regression analysis (Cohen, Cohen, West & Aiken, 2013) and found that the most influential predictors of the level of compliance are as follows: external audit, implementation of EU-funded projects and being a new municipality.

Our paper makes two primary contributions. First, we contribute to the literature on governmental accounting by adding institutional factors other than economic variables that affect the level of compliance. This addresses an important gap in the literature identified by Carpenter and Feroz (2001, p. 593): “... Another follow-up to this work would be an extension of the extant governmental accounting literature incorporating institutional variables in a statistical model.... We suspect that economic variables based on size, fiscal stress and debt levels will no longer continue the significant variables...” In this sense, our study is one of the first to show that the level of compliance with accrual-based rules is increased not only by being a newly founded municipality but also by implementing EU-funded projects. Second, we contribute to the literature in that our findings may help both politicians and government managers to identify resource dependency as an institutional pressure; coercive institutional pressure to implement accrual-based rules may become a potent force to increase the level of compliance both when a supreme audit institution controls and when there is resource dependence on an international body (i.e., the EU). One practical implication of our findings is that compliance levels are positively associated both with the implementation of EU-funded projects and with newly founded municipalities.

Accordingly, part one presents the theoretical framework. Part two describes the research question and hypothesis development. Part three presents the development of the compliance index; part four presents the data. Part five analyses the study’s results and is followed by the discussion and conclusion.

2.Theoretical Framework

Various theoretical frameworks may be used to study the adoption of accrual accounting in the public sector. Antipova and Bourmistrov (2013), Carpenter and Feroz (2001), Guler, Guillen and Macpherson (2002), Greening and Gray (1994), and Guo (2007) have used institutional theory (DiMaggio and Powell, 1983) and resource-dependence theory (Pfeffer & Salancik, 1978) to gain insight into several aspects of public-sector behavior. We also borrow theoretical ideas from institutional theory and resource-dependence theory to understand—with the help of our hypothesis—the factors that affect the level of compliance with the prescribed accrual-based rules.

Institutional theory views organizations as operating within a social framework of norms, values and taken-for-granted assumptions about what constitutes appropriate or acceptable economic behavior (Carpenter & Feroz, 2001). According to Scott (1987, p: 468), organizations conform to institutional changes in their environment because they are rewarded with increased legitimacy, resources and survival ability. The institutional environment of local governments—including central government, educational institutions, accounting professionals, employees, creditors, and citizens—may help reform to gain legitimacy and external support from both external bodies and internal participants (Carpenter & Feroz, 2001). DiMaggio and Powell (1983) identify three mechanisms for institutional isomorphic change: coercive isomorphism, normative isomorphism and mimetic isomorphism. Coercive isomorphism arises out of political influence and the problem of legitimacy; it is characterized by the imposition of rules to adopt the same types of changes in both structures and processes. The EU's decision to adopt international standards may imply a coercive decision (Gomes, Fernandes and Carvalho, 2015). Mimetic isomorphism results from standard responses to uncertainty and defines the adoption of changes that are experienced by other organizations. Normative isomorphism, which is associated with professionalism, refers to the strong influence and pressure exercised by professional organizations. The influence of the International Federation of Accountants (IFAC) and the International Public Sector Accounting Standards Board (IPSASB) may be examples of normative forces pressing the adoption of international public-sector accounting standards (IPSAS) (Gomes et al., 2015). These isomorphic processes cause organizations to become similar, thus facilitating their transactions with one another. Although the three mechanisms may be derived under different conditions and have different outcomes, they tend to “intermingle in an empirical setting” (DiMaggio & Powell, 1991: 67). Notwithstanding the fact that each mechanism involves a separate process, two or more isomorphic pressures can operate at the same time; in such a situation, it is difficult to clearly identify the effects of each type of pressure.

Prior research also confirms the importance of these concepts to gaining insight from accounting changes. According to Carpenter and Feroz (2001), accounting reforms in the United States (USA) can be understood in terms of coercive isomorphic pressures from the credit markets, whereas late adoption seems to be associated with the combined influences of normative and mimetic institutional pressures (p. 588). In the Canadian case, the implementation of accrual accounting can be “largely attributed to coercive and normative influences of the Office of the Auditor General of Canada and mimetic isomorphism with other members of the federal government’s organizational field” (Baker & Rennie, 2006: 83). Gomes et al. (2015) conclude that “the reform stimuli are mainly influenced by the institutional and political context and a combination of coercive, normative and mimetic forces” in their contribution to the Portuguese case (p. 279). All three isomorphic mechanisms may influence organizational behavior. That notwithstanding, because the government’s introduction of new accounting and reporting standards is the most direct mechanism of institutional diffusion, this paper draws largely on coercive isomorphism to explain compliance levels. Coercive isomorphism results when organizations are subjected to both formal and informal pressures by other organizations upon which it is dependent (DiMaggio & Powell, 1983). In our study, organizations experience external pressure that is exerted by international bodies such as the IMF, the EU, and the WB. Such pressure may be felt as force, persuasion or an invitation to collude (DiMaggio & Powell, 1983).

In addition, our study adopts the perspective that resource dependence is a potent form of coercive institutional pressure for change associated with the implementation of accrual-based accounting rules. The fundamental assertion of resource-dependence theory is simply stated by Pfeffer and Salancik (1978): The key to organizational survival is the ability to both acquire and maintain sources (p.2). Organizations are not completely autonomous; instead, their resource needs cause them to be dependent on their environment. To understand organizational decision making, the resource-dependence perspective focuses primarily on external factors (Carpenter & Feroz, 2001). Mizruchi and Fein (1999) suggest that pressure from external resource providers results in coercive isomorphism and “is thus analogous to formulations of the resource dependency model in which organizations are viewed as constrained by those on whom they depend for resources” (p. 657). Resource dependence results in accounting changes influenced by coercive isomorphic pressure. Thus, the theoretical arguments related to resource dependence represent a particular form of coercive isomorphic pressure (Carpenter & Feroz, 2001, p. 573).

3. Research Questions and Hypothesis Development

In Turkey, discussions about strong central power and weak local governments, the lack of autonomy for local governments and the need to strengthen democracy are common among scholars (Sezen, 2011: p.329). Primarily for this reason, the Turkish government decided to strengthen local governments as a key priority. Accordingly, between 2004 and 2010, special laws and regulations pertaining to local governments were introduced (Sözen, 2012). Consistent with international trends, on December 24, 2003, the “Public Financial Management and Control Law, No: 5018” (PFMCL) was issued as a key component of financially strengthening local governments. According to that law, both governmental accounting reform (which became effective for local governments at the beginning of 2006) and the cash-based “Government Accounting by Law” (which had existed for 14 years) were abolished. An accrual-based government accounting system has now been implemented in all institutions, including centralized governments, social security institutions and local governments. The law’s most important reform is the introduction of a uniform accounting system on an accrual basis and an annexed budget administration in accordance with international accounting and reporting standards.

Little attention has been paid to the level of municipalities’ compliance with the accrual accounting regulations that have been prescribed by the Local Authorities Budget and Accounting Regulation since 2006. Most of the Turkish studies about the process of implementing accrual accounting are exploratory because of the difficulty of collecting data about Turkish municipalities. Although municipalities are supposed to upload their financial accounts to their official websites, they rarely do so. According to Turkeyener (2011), there are many errors in municipalities’ financial reports. In addition, many studies have shown that the failure in accounting standards is caused by numerous problems in the implementation process (Christiaens & Rommel, 2008). Accordingly, several hypotheses have been formulated to determine the reasons for the level of compliance in the public sector (Evans & Patton (1983); Ingram (1984); Robins & Austin (1986); Evans & Patton (1987); Giroux (1989); Dixon et al. (1991); Cheng (1992); Allen & Sanders (1994); Pina & Torres (1996); Pina & Torres (2003); Coy et al. (1994); Coy & Dixon (2002); Christiaens (1999); Weets & Jegers (2000); Giroux & McLelland (2003); Christiaens & Vanhee (2003); Da Costa Carvalho, et al. (2007); Verbruggen (2011)). Although these studies’ investigations have resulted in valuable insights and interesting hypotheses, little has been produced with respect to emerging-country characteristics. Therefore, insight into whether newly founded municipalities and the implementation of EU projects affect compliance levels could be an important factor in the success of emerging countries. In addition, developing countries are countries in which ideas move in one direction and practice moves in another

(Ouda, 2004). A developing country's characteristics may affect other characteristics. Consequently, we not only determined compliance levels but also tested our hypothesis to monitor the factors that affect compliance levels. Against this background, we formulate the research question as follows:

RQ: Why do some Turkish municipalities apply accrual-based rules more than others?

Accordingly, working from the research question and previous studies, we have formulated the following hypotheses, which focus on the specific variables of emerging-country characteristics. To improve the analysis, traditional variables are added as control variables to test whether they have the same impact on Turkish local governments.

The first emerging-country variable is Turkey's increasing population and its effect on local government policy. Despite this rapid increase, the proportion of the population living in rural areas is decreasing while the proportion is increasing markedly in both the provinces and the district centers; thus, the proportion of the population living in the provinces and district centers was 59% in 1990, 64.9% in 2000, 76.3% in 2010 and 91.8% in 2014. As legitimate policy partners with the central government, local governments work to formulate policies in the midst of these sociodemographic changes. To manage these difficulties in areas where the population is rapidly increasing, municipalities are being created; for example, 13 metropolitan municipalities were created on November 12, 2012. These new municipalities require more financial and human resources because they are required to enact changes such as establishing guest houses for women and children and making new staff assignments. Thus, we hypothesize that to acquire legitimacy from the institutional environment—and thus more resources for new policies and survival—municipalities founded between 2006 and 2014 will have a higher level of compliance (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). Pressure from external resource providers may result in coercive isomorphism during the process of obtaining these resources (Carpenter & Feroz, 2001: 572). To the best of our knowledge, no study has analyzed the compliance level of new municipalities. Therefore,

H1: The level of compliance is positively associated with the type of the municipality.

Another emerging-country variable relates to Turkey's EU accession. Turkey's path to EU membership started with the 1999 Helsinki Summit, at which the European Council declared that "Turkey is a candidate country destined to join the EU on the basis of the same criteria as applied to the other candidate states." Based on that declaration, to become an EU member, Turkey had to fulfill the political requirements of the Copenhagen criteria (Müftüler-Baç, 2008). At its 2002 Copenhagen summit, the European Council stated, "If Turkey fulfils the Copenhagen criteria, the European Union will open accession negotiations without delay." During this long journey, "Turkey's accession depends on its ability to adopt fully the EU acquis in its entirety and to remain committed to democratic

principles and procedures that the EU stands upon” (Müftüler-Baç, 2008: 201). The EU is committed to financially supporting Turkey in this difficult task on its path to membership. The initial objective of the EU’s financial support for Turkey is the extension of an area of peace, stability and prosperity within and beyond Europe; for the most part, Turkey has tended to comply in the area of education (http://www.avrupa.info.tr/AB_Mali_Destegi.html). The EU usually gives financial support for project implementation. Most of the EU’s directives are to be implemented at the local level, and EU support benefits society at all levels, including that of local government. Turkish municipalities also apply to receive funding for EU projects (cfr. descriptive statistics in the appendix). Following a consultation process between the EU and Turkish authorities, projects are selected and included in the annual national program. These programs will receive EU funds. When an institution’s project is funded by the EU, its related institutions must report their financial situation according to standards proposed by the EU. In this regard EU asks for the preparation of financial reporting based on their requirements and according to a prescribed. This requirement is the basis for our hypothesis that the EU engages in a form of coercive isomorphism. In addition, according to resource-dependence theory (in which resources can be money, human resources, etc.), organizations survive only if they both manage and monitor their dependencies (Hillman, Withers & Collins et al, 2009). Accordingly, we aim to measure—for the first time—whether the implementation of an EU-funded project has an impact on the level of compliance. Therefore,

H2: The level of compliance is positively associated with the implementation of EU-funded projects.

The effect of our first control variable—the size of the municipality—on the compliance level is disputed by several studies. According to Allen and Sanders (1994), city size does not affect disclosure, whereas Christiaens (1999) has discovered that city size has a significant positive effect on the level of compliance. In contrast, Da Costa Carvalho et al. (2007) have claimed that the size of the municipality has a negative effect on compliance. In addition, many studies indicate no relationship between compliance and municipality size (Evans & Patton, 1983; Robbins & Austin, 1986; Ingram & DeJong, 1988). Institutionalization refers to organizations gaining legitimacy by adopting elements from the institutional environment to survive (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). Here, we hypothesize that larger municipalities’ more substantial financial and human resources lead to a higher level of compliance. Following the standard statistical recommendation, we tested the effect of population on compliance level with a logarithmic transformation. Therefore,

H3: The level of compliance is positively associated with the size of the municipality.

The effect of staff on the level of compliance has been analyzed by many governmental studies in terms of the number of staff members, educational level, professionalism, etc. (Ingram, 1984; Robbins & Austin, 1986; Christiaens, 1999, Christiaens & Peteghem, 2007; Da Casto Carvalho et al., 2007). We tested the effect of staff members' education level on compliance level. The compound level of education has been measured by the formula $(2*LT + 1*ST + 0*S) / (LT + ST + S)$, in which LT stands for university degree, ST stands for high school and S stands for secondary education (Christiaens, 1999; Christiaens & Peteghem, 2007). According to Christiaens (1999), one advantage of this approach is comparability among municipalities, whereas arbitrarily chosen weighting coefficients are a disadvantage. Here, we hypothesize that more highly educated staff will have more knowledge of accrual accounting rules. Therefore,

H4: The municipal accounting staff's educational level positively affects the level of compliance.

Environmental factors are also relevant to explaining differences in conformity among municipalities. Arguably, a democratically elected local government must respond to its citizens' needs (Da Casto Carvalho et al, 2007). As highlighted by Chan (2006), both citizen awareness and socioeconomic status may be relevant to the adoption of accounting-system changes. Accordingly, this hypothesis is proxied by assuming that citizens who live on a municipality's borders and have a higher educational level demand more information; the compliance level is therefore higher because people with higher educational levels prefer to acquire/obtain more detailed and transparent information. (The level of education completed in higher education refers to the percentage of citizens who have (at minimum) graduated from university.) In addition, a resource dependence relationship exists between the municipality and the citizen as a taxpayer. Therefore,

H5: The level of compliance is positively associated with the educational level of the municipality's residents.

Reliance on debt may be a factor that is crucial to influencing the level of compliance (Street & Gray, 2002). Municipalities can also be financed with debt. Financial institutions examine financial statements when making loans. Therefore, it is assumed that the level of compliance is higher when a municipality's reliance on debt is greater. According to the resource-dependence theory, organizations try to increase their compliance with the requirements of their resource providers. (Froelich, 1999). The findings of Christiaens (1999) show that reliance on debt negatively affects the compliance level. However, Da Casto Carvalho et al. (2007) explain differences in municipalities' compliance in terms of financial position, particularly the availability of financial resources. We hypothesize that relying on loans strongly and visibly increases the level of compliance; this increase is also in line with resource-dependence theory (Pfeffer & Salancik, 1978). Therefore,

H6: Compliance levels are positively associated with reliance on debt.

Several studies (Robbins & Austin, 1986; Cheng, 1992; Christiaens, 1999) test wealth in terms of revenue per capita based on Ingram (1984), who assumes that state wealth has a positive relationship with increased disclosure. We also hypothesize that the level of compliance will be higher in wealthier municipalities because of the likelihood that there will be better qualified staff, that more attention will be given to financial reporting, etc. Therefore:

H7: The level of compliance is positively associated with the revenue per capita.

Our final hypothesis addresses external public sector audits, which are NPM's "bread and butter" (Buylen & Christiaens, 2014). Despite the importance of external audits, few studies have addressed them (Robbins & Austin, 1986; Christiaens, 1999; Windels & Christiaens, 2006). It is assumed that increased compliance levels will be caused by external auditors' assessments. Particularly in a country such as Turkey, where there is a great deal of power distance (Hofstede, 1983), it can be hypothesized that the level of compliance is higher when a municipality is subject to an external audit. Therefore,

H8: Compliance levels are positively associated with the execution of external audits.

Tab.1: Model Variables				
Variable	Reference	Expected Sign	Measure	Source
EU project	Proposed by the current study	?	dummy variable	activity reports of municipalities
Newly founded municipality	Proposed by the current study	?	dummy variable	Union of Municipalities of Turkey
Municipal staff education	Ingram, 1984; Christiaens, 1999, Christiaens and Peteghem, 2007; Da Casto Carvalho et al., 2007	+	the level of the staff's education	activity reports and surveys sent to municipalities where necessaire
Education level of citizens	Ingram, 1984; Christiaens, 1999; Da Costa Carvalho et al., 2007	+	percentage of citizens graduated from at least university	TurkStats
Municipal size	Allen and Sanders, 1994; Christiaens, 1999; Da Costa Carvalho et al. 2007; Robbins and Austin, 1986	+/-	population	TurkStats
Reliance on debt	Christiaens, 1999; Giroux and McLelland, 2003; Da Costa Carvalho et al. 2007	?	financial leverage ratio	financial statements of municipalities
Municipal wealth	Ingram, 1984; Robbins and Austin, 1986; Cheng, 1992; Christiaens, 1999; Giroux and McLelland, 2003	+	revenu per capita	financial statements of municipalities, TurkStats
External audit	Robbins and Austin, 1986; Windels and Christiaens, 2006	+	dummy variable	activity reports of municipalities, Turkish Court of Account
Source: Own				

4. Development of the compliance index

According to Pollitt (2001), there are four stages of NPM adoption: discourse, decision making, real organization practice and impact on public organizations. Our study addresses the third stage—real organization practice—with the help of a compliance index.

Using an index to measure compliance with accounting standards is a time-honored methodology in public-sector accounting research. Methodologically, this study is based on previous studies that have developed disclosure and compliance indices. In 1984, Ingram provided preliminary evidence about the association between economic factors and cross-sectional variations in accounting practices of state governments in the USA by analyzing 12 items in a disclosure index. The results showed a higher level of disclosure in states with voter coalitions, administrative monitoring and evidence of administrative ability. Ingram's study is a milestone in governmental accounting research, and several studies have used the same approach (Disclosure index: Robins & Austin (1986), Giroux (1989), Cheng (1992), Allen & Sanders (1994), Tooley & Guthrie (2007), Stanley, Jennings and Mack (2008); Cooke's index: Pina & Torres (1996), Pina & Torres (2003); Accountability index: Dixon, Coy and Tower (1991), Coy, Tower and Dixon (1994), Coy & Dixon (2002), Ryan, Stanley and Nilson (2002); Compliance index: Christiaens (1999), Weets & Jegers (2000), Giroux & McLelland (2000), Christiaens & Vanhee (2003), Da Costa Carvalho, Camoes, Jorge and Fernandes (2007), Christiaens and Van Peteghem 2007).

Based on this body of literature, Christiaens (1999), Da Costa Carvalho et al. (2007) and Christiaens and Van Peteghem (2007) have turned their attention to the implementation of business-like accounting principles in their public-sector compliance index. Christiaens (1999) has included in the compliance index not only transparency and technical issues but also other features related to compliance with newly introduced accounting and reporting standards. Transparency issues consist of timeliness, disclosure, formalistic requirements, adequacy and usefulness elements, whereas technical issues consist of completeness, cutoff, classification, mechanical accuracy and compensation elements. The index is a quantitative measure of the qualitative aspects of both financial accounting and reporting. Similar to Christiaens (1999), Coy and Dixon (2004), Da Costa Carvalho et al. (2007), and Christiaens and Van Peteghem (2007), we used the compliance index to measure each municipality's level of compliance. The elements in the index, which consist of 39 elements, have been measured

dichotomously. The results of the compliance index determined the dependent variable to be used in the multiple regression.

5.Data

There are 1,397 municipalities in Turkey, 428 of which have a population of more than 25,000. We selected the municipalities with populations of more than 25,000 because it is difficult to access small municipalities' annual accounts. An a priori power analysis using G*Power 3.1 (Faul, Erdfelder, Buchner and Lang, 2009) demonstrated that 74 municipalities would be needed to detect the effects ($f = 0.15$) with 95% power ($1 - \beta$) using linear multiple regression with 8 predictors and alpha at 0.05. In this study, we tested 102 municipalities' levels of compliance with accrual accounting rules prescribed by laws and regulations; this is a much larger sample than that proposed by G*Power 3.1. The sample consisted of 100 municipalities in all regions of Turkey that were randomly selected from the 428 municipalities referenced above.

The annual reports that we analyze are taken from the municipalities' annual activity reports. However, some of the municipalities in the sample did not provide their activity reports on the Web. In that situation, annual reports were provided by the Court of Accounts. Secondary data, such as population, age structure and the education level of citizens, were provided by the Turkish Statistical Institute (TurkStat). To measure the staff number and the education level of the staff where that information was not provided in the annual activity reports, a brief online questionnaire was sent to the municipalities pursuant to the "Right to Obtain Information". Municipalities were asked to give information about the number of staff members, their educational levels, and the head of finance's educational level.

6.Results

6.1.Compliance Index

To calculate each municipality's level of compliance, we adopted the compliance index used by prior studies.. The average score on the compliance index for each municipality, in percentage terms, is calculated by multiplying each score by 100 and dividing by 39. As a result, according to our descriptive statistics, we found a mean of 61.2%, with a standard deviation of 13.7% and a median of 60.5%. In addition, the average figures for each component are disclosed in the table below.

Table.2: Compliance Index Results

Item	Average
Transparency	
Timeless	67,8%
Disclosure	52,0%
Formalistic Requirements	65,5%
Adequacy and usefulness	80,0%
Technical Issues	
Completeness	47,7%
Cut-Off	26,5%
Classification	99,3%
Mechanical Accuracy	52,5%
Compensation	59,8%
TOTAL	61,2%

Source: Own

The average “cutoff” is the lowest component, with a mean of 26.5 percent. As seen from the compliance index, the cutoff component consists of “accrued charges disclosed” and “accrued income disclosed.” According to our findings, few municipal accountants use accrued income and accrued charge accounts, perhaps due to a lack of experience and training in accrual accounts. In addition, provisions for employment termination benefits are not accrued to the related accounts. This result shows relative failure in the implementation of accrual-based rules. Conversely, the most-used component is the “classification” component, which consists of signs of the assets, possibly because of the ease of understanding sign assets.

6.2.Regression Equation Results and Interpretation

We used multiple regression (Cohen et al., 2013) to test our model. Each item in the model was given equal weight because there is no document showing that any item has more of an effect than another. In addition, although each item measures quite different concepts, our statistical results showed that they explain 54.6% of the dependent variable. The regression results of our study are presented in Table 3.

The observed F statistic of the regression is 13.975, and significance at alpha (=0.0001) demonstrates an acceptable standard of accuracy. The variance inflation factors (VIF) are calculated,

and there is no multicollinearity threat for any of the predictors, because all of the VIFs were <2. Given the normal distribution of the index, the standardized regression coefficients and their associated level of significance are also presented in the table.

Table 3: Regression Results

Surrogates	Standardized Coefficient (Beta)	Significance (p)
Municipal size	0,138	0.062*
Newly founded municipality	0,155	0.031**
Staff education level	-0,070	0,409
Citizens' education level	0,132	0.083*
EU project implementation	0,267	0.002**
Reliance on debt	0,016	0,839
Municipal wealth	-0,025	0,749
External audit	0,450	0.000**

* Significant at alpha = 10%

** Significant at alpha = 5%

$R^2 = 0.546$

Source: Own

Based on these results, the most influential predictors for the level of compliance are as follows: (1) newly founded municipalities; (2) implementation of an EU-funded project; (3) external audit.

As an emerging country variable, we tested whether there is an association between newly founded municipalities and compliance level. According to our results, being a newly established municipality emerges as a very significant explanatory variable in the model, affecting the level of compliance ($b = 0.071$, $\beta = 0.155$, $p=0.031$). An explanation for this high level of compliance may be that organizations that are pursuing legitimacy select among alternatives based on efficiency considerations when their organization field is being founded or reorganized (Palmer, Jennings & Zhou, 1993: 104), which primarily reflects the influence of mimetic isomorphism (DiMaggio & Powell, 1983). It appears that newly founded municipalities adopt structures that are perceived as legitimate by other organizations in the same field regardless of those structures' content. In addition, newly founded municipalities that are experiencing fiscal stress in the implementation of new policies (such as establishing guest houses for women and children and making new staff assignments) may rely on accrual-based rules to gain more legitimacy for the purpose of acquiring short-term financing. This evidence is an important condition that affects the potency of coercive isomorphic pressure leading to higher levels of compliance. However, we must exercise caution in interpreting these results. As noted by DiMaggio and Powell (1991), it is difficult to clearly identify their effects.

Another emerging country variable, the implementation of an EU project, is a very significant predictor ($b = 0.074$, $\beta = 0.267$, $p = 0.002$) of the level of compliance, because the EU demands financial statements that are in compliance with international financial reporting standards. If the funded municipalities do not fulfill the required reporting rules, they will not be able to obtain grants from the EU, which makes them dependent on the resources provided by the EU. This evidence underlines the presence and the potency of institutional pressure, probably in the form of coercive isomorphism based on resource dependency. In other words, institutional pressure may work with other forms of pressure such as resource dependency (Mizuchi and Fein, 1999). Another possible explanation for this strong effect could be that the accountants who work for the EU projects' financial reporting are trained in related accounting standards. We infer this conclusion from the organized workshops and seminars. Beneficiaries of EU grants participate in both workshops and free webinars that help them to accurately report their financials (<http://www.abgs.gov.tr/index.php?p=45646&l=1>). In addition, representatives of central governments emphasize the importance of the EU projects. This evidence emphasizes the institutional context and external pressure as one of the most important reasons to increase compliance with accrual-based rules. In addition, this evidence reinforces institutional thinking in which changes are associated with the need for legitimacy and external support for the resources (Carpenter & Feroz, 2001; Gomes et al., 2015).

As shown by the regression results, the variable external audit ($b=0.123$, $\beta=0.450$, $p=0.000$) is the most significant predictor of the level of compliance. This may be a consequence of the fact that in terms of audits, the Turkish Court of Accounts is the institution that has the most influence on the municipalities, which validates the idea that coercive isomorphism has an influence on municipalities' willingness to comply with the rules. Organizations are also driven to a high level of financial reporting compliance when they are audited by institutions that affect the provision of resources. An external report on a municipality by the Turkish Court of Accounts also reflects that municipality's quality, which influences the subsidies granted by the government. This high level of compliance shows that the audit environment—not just accounting standards—must be modified to induce improved disclosure (Ingram & Copeland, 1981). In addition, although the internal audit system is found in each municipality, the compliance level is increased in municipalities where the external audit was carried out.

With respect to the size effect, our regression results indicate that municipality size has a positive significant effect ($b=0.000$, $\beta=0.138$, $p=0.062$) on the level of compliance. Several studies have shown that the compliance level is higher in larger cities (Da Costa Carvalho et al., 2007; Ingram & DeJong, 1987; Christiaens, 1999). This confirms that large organizations adopt elements from the institutional environment both to gain more legitimacy from the actors in their external environment (DiMaggio &

Powell, 1983) and to sustain opportunities for acquiring resources. Another possible explanation is that large municipalities may use more complicated information systems, thus disclosing more-transparent information (Bunget, Blidisel, Feleaga & Popa, 2014).

In contrast to the findings of De Casto Carvalho et al. (2007) and Ingram (1984), it is interesting that our results did not support a relationship between staff educational level and compliance level ($b = -0.053$, $\beta = -0.070$, $p = 0.409$). A few studies have demonstrated a similar disassociation between staff education and compliance level (Christiaens, 1999). Differences in country characteristics may account for this discrepancy. In our study, we focused on educational level as measured by a person's number of degrees.

The hypothesis that citizens' educational level ($b = 0.305$, $\beta = 0.132$, $p = 0.083$) enhances the level of compliance has also proven to be well founded. According to our results, the educational level of a municipality's citizens positively affects the municipality's compliance level, which overlaps with the findings of DeCasto Carvalho et al. (2007). Law no: 4982 (the right to obtain information) provides that everyone has the right to obtain information about the activities of all public entities, including local governments. However, clearly citizens must be aware of this right if they are to request information. An obvious explanation for this result is that citizens with higher educational levels would like to acquire more detailed and transparent information, and they are more aware of their rights ([http://siteresources.worldbank.org/INTBELARUS /Resources/eng.pdf](http://siteresources.worldbank.org/INTBELARUS/Resources/eng.pdf)). However, we must exercise caution in interpreting these results because we only used years of completed education; we did not focus on profession, gender, etc. Moreover, income per citizen ($b = -0.000$, $\beta = -0.025$, $p = 0.749$) in a municipality has no effect on the level of compliance (Robbins & Austin, 1986).

Reliance on debt ($b = 0.007$, $\beta = 0.016$, $p = 0.839$) is a variable that has no effect on the level of compliance. For this hypothesis, we tested the association between reliance on short- and long-term debt (financial leverage ratio) and the level of compliance. We hypothesized that reliance on debt would lead to a higher level of compliance. However, according to our regression results, there is no significant effect. This result contradicts the resource-dependence theory but is in line with some of the findings in the literature. As in the Belgian case (Christiaens, 1999), it is possible that Turkish municipalities are less sensitive to financial markets and credit institutions because of the special character of the *İl Bank*, which lends only to local governments to meet their financing needs in Turkey; the significance of this arrangement for local governments is primarily due to the *İl Bank*'s low interest rate compared to other banks. The municipalities may take the *İl Bank* for granted.

Finally, we must state that although our study explains some variance for the municipalities' level of compliance, there remains a large gap to consider. Furthermore, we acknowledge that our study

have several limitations. First, we only tested the municipalities whose population is over 25,000 due to problems accessing information from smaller municipalities. However, smaller municipalities are in the majority in Turkey. Second, we acknowledge that our results are confined to the selected hypothesis tested in the study. Third, we calculated the compliance index dichotomously without considering the items.

7. Discussion and Conclusion

This article sheds light on the factors that affect the level of compliance with the accrual-based rules for municipalities, an undervalued but very prominent group among local governments. To help both public managers and politicians, our study shows that some factors clearly help increase the level of compliance: the most influential factors are the external audit (<0.05), the implementation of an EU-funded project (<0.05) and being a newly founded municipality (<0.05). More specifically, we found that coercive institutional pressure to implement accrual-based rules may become a potent force when a supreme audit institution has control and there is resource dependence on an international body. Simultaneously, we contributed to the literature by adding new institutional emerging country-like variables, as noted by Carpenter and Feroz (2001). Our study suggests that newly founded municipalities and municipalities funded by the EU may apply accrual-based rules to be more legitimate and successful.

The compliance level is 61.2% for 102 municipalities, which may indicate that reforms have (to some extent) hit their targets. The general reasons that may account for implementation shortfalls are the following: Audits are only performed by the Court of Accounts, and municipalities are not audited every year. There is no legal establishment for the audit of municipalities other than the Court of Accounts. No penalty is imposed on municipalities that do not comply with the accrual accounting-based rules. There is no guidance for staff to ease the implementation of accrual-based rules where such rules create extra work and (in particular) increased stress levels on the part of the staff. In addition, a clear objective for the new accounting system was never formulated by the Turkish legislature. The only argument for the reform is the need for change in the budget accounting system, and no preliminary research on municipalities' needs and shortages was conducted before the transition to accrual-based rules.

Although accrual accounting-based rules were implemented nearly ten years ago, more time may be required for local governments to internalize them. "Moreover, the gap between NPM-like thinking and local governance logic, as inciting part for the change, seems too large to overcome and we must

ask ourselves whether municipalities can truly incorporate the NPM style work into their work” (Buylen & Christiaens, 2014). It seems that the changes in the accounting system have been implemented for the benefit of the Turkish government’s image, especially in the eyes of international bodies. These top-down reforms may fit the political agenda very well, but the practitioners of the related rules have noted the policy’s consequences. We infer this conclusion from the observation that an increase in compliance levels in the event of an EU-funded project and an external audit represent pressures from outside the organization.

Based on this result, we strongly suggest a new design for the public-sector audit. The push for independent financial auditing independent of the Turkish Court of Accounts is also consistent with the current agenda of international bodies. Including the private sector in the process when the public audit is inadequate will increase the level of compliance. Moreover, the role of professional and academic bodies may play an important role in implementing accrual accounting. In Turkey, many accounting societies play an important role in developing accounting but do not play an active role in the public sector. This may be due to the penetration problem suffered by the public sector. The creation of a public-sector study group may play an important role in solving accrual accounting implementation problems.

“Logically, before talking about the improved information that comes with the implementation of accrual-based rules, we should find the right person who can efficiently and effectively administer them” (Ouda, 2004). Otherwise, the implementation of accrual accounting in the public sector will provide superfluous information that will not be used, and the targeted benefits will not be achieved (Ouda, 2004). The relative relation between compliance level and citizen educational level is a good indicator for introducing a more informative public accounting system. In short, governments should shift from a public administration system to a public management system in parallel with the implementation of accrual accounting rules unless the information provided by accrual accounting is superfluous to traditional public administration.

There remain several unanswered questions regarding the level of compliance; these are matters for further study. The effect of bureaucratic management culture, political factors, and information technology (Ouda, 2008) may be studied to assess the level of compliance. In addition, in almost all of the studies, it is easier to discover “what has been done” rather than “what has been obtained” (Sezen, 2011: p.326). As a suggestion further studies could enhance results of the compliance index by carrying out interviews in order to understand why there is a non-compliance in the local governments. The real effect of the reforms or rules in question may be examined in further research. Indeed, it is more important to benefit from complying with accrual-based accounting than to achieve

a score of 61.2% on the compliance index. Such a study may constitute a subject for further investigation.

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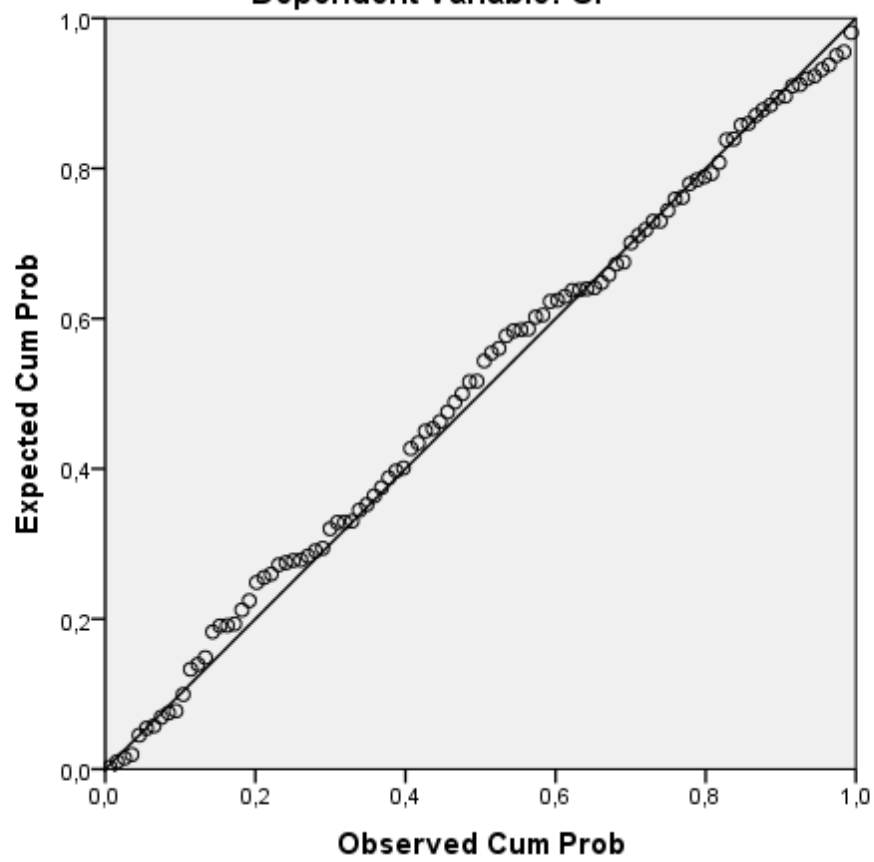
9. Appendix

Table 4: Compliance index items

<i>Item</i>	<i>Item</i>
1) Timeless	19) Different colours
	20) Pages consecutively numbered
Completeness	
2) Stocks disclosed	Mechanical Accuracy
3) Received cheques	21) Reconciliation for budget
4) Doubtful debtors recorded	22) Accumulated depreciations
5) Stock on count and delivery shortages	
6) Stock on count and delivery surpluses	Disclosure
	23) Details and statements of loans
Cut-Off	24) Details amounts receivable
7) Accrued charges disclosed	25) Details capital and reserves
8) Accrued income disclosed	26) Details creditors
	27) Capital gain/loss disposal fixed assets
Classification	28) Details P/L accounts: costs
9) Sign assets correct	29) Details P/L accounts: revenues
10) Sign liabilities correct	30) Trial balance
11) Sign profit/loss account correct	31) Previous years figured
Compensation	Formalistic Requirements
12) Amounts receivables within one year	32) Comparison of budgeted and realized items
13) Provision for employment termination benefits	33) Level classification
14) Taxation, salaries and social security	34) Corporate classification
15) Staff advances	35) Functional classification
	36) Financial classification
Adequacy and usefulness	37) Economical classification
16) Guideliness annual accounts	38) Annual report announced in the website
17) Analysis budgetary accounts	39) Internal control report
18) Pictoral, graphical presentations	

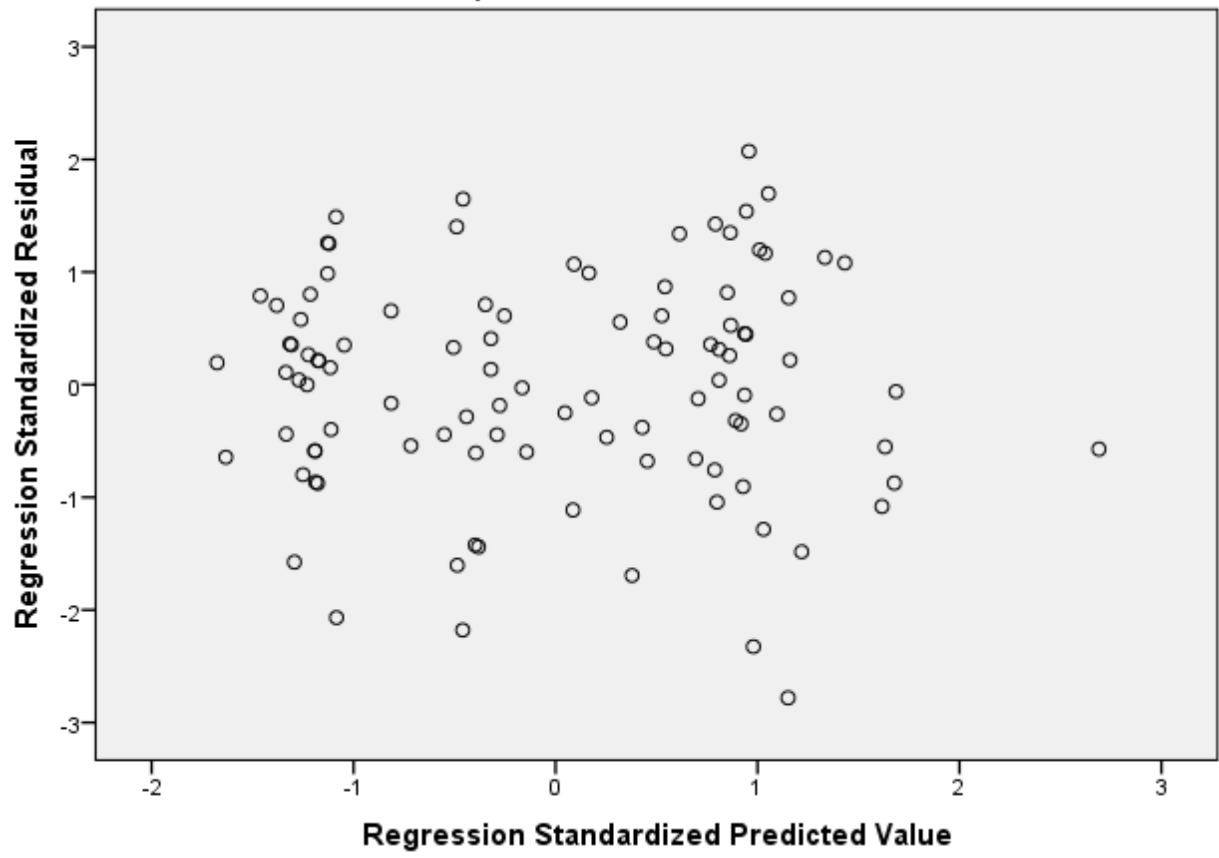
Normal P-P Plot of Regression Standardized Residual

Dependent Variable: CI



Scatterplot

Dependent Variable: CI



CHAPTER 3 - THE MAGIC SHOES OF IPSAS: WILL THEY FIT TURKEY?*

Abstract

In this study, we seek to further delineate the reasons for the shortfalls in the level of formal and material harmonization regarding the accrual-based rules in International Public Sector Accounting Standards (IPSAS) by analyzing the law, the executive order and the Turkish Central Government Public Reports from 2010 to 2014 by using a mixed method approach regarding disclosure items. We highlight that coercive pressure itself is insufficient for improving substantive performance and changing the internal structures of organizations, instead, such pressures cause decoupling in financial reporting. As a new finding in the developing country context, we suggest that there are several discrepancies between the law and the executive order; some may argue that these discrepancies reflect an underlying intention to protect the organizations. Moreover, we conclude that there are emerging country-specific reasons affecting the gap in the harmonization levels, including a lack of social pressure which tends to be prominent in developed countries, state domination over both civic matters and the private sector and translation problems that arise during the adoption process.

Key words: harmonization, IPSAS, Turkey, public sector, accounting

*This study is published in Transylvanian Review of Administrative Sciences in 2018, no: 54, June.

1.Introduction

The implementation of policies and techniques associated with accrual accounting, is understood to be a crucial factor in modernizing the public sector in developing countries (Antipova and Bourmistrov, 2013, p. 444) and IPSAS has been considered a point of departure for streamlining central governments' financial reporting to improve transparency and accountability (Hughes, 2013). IPSAS based accrual accounting standards have been well established in most of the OECD countries and 50% of non-OECD countries have expressed an intention to adopt accrual accounting, often using IPSAS as a reference point (Alshujairi, 2014, p. 1). However, Deaconu et al., (2011, p. 76) suggest that emerging countries have too eagerly accepted the transition from cash-basis accounting to accrual-based accounting and argue that emerging countries seem to have taken it for granted that adopting accrual-based rules will increase efficiency and effectiveness and solve many of the problems in their traditional accounting systems.

Studies have demonstrated that “variation in accounting are still an essential characteristic of governmental financial reporting” (Antipova and Bourmistrov, 2013, p. 443) even in countries in which Government Financial Statistics (GFS) and IPSAS have been adopted. Several studies have uncovered evidence regarding various aspects of the adoption and implementation of accrual accounting in the public sector, such as ambiguities in the implementation process and the relationship between central and local governments (Arnaboldi and Lapsley, 2009, p. 809), loose coupling and substantial resistance during the implementation process (Nor-Azizah and Scapens, 2007, p. 209), cost efficiencies associated with accrual accounting (Lampe et al., 2015, p. 1) and habitual and technical factors associated with adopting accrual accounting (Connolly and Handyman, 2006, p. 272; Rahaman, 2009, p. 224). Other studies have conducted international comparisons regarding the adoption of IPSAS (Benito et al., 2007, p. 293; Christiaens et al., 2010, 2014, p. 158; Pina et al., 2009, p. 765; Pina

and Torres, 2003, p. 334). However, research concerning developing countries and transitional economies adopting and implementing accrual accounting has only begun and has primarily focused on a limited number of country-specific cases involving IPSAS standards adoption (Deaconu et al., 2011, p. 74; Gomes et al., 2015, p. 268; Oulasvirta, 2014, p. 272).

Most of the studies have demonstrated that failure in the disclosure level of the financial reporting is caused by numerous problems that arise during the implementation process (Allen and Sanders, 1994; Ryan et al., 2002; Pina and Torres, 2003; Giroux and McLelland, 2003; Coy and Dixon, 2004; Tooley and Guthrie, 2007; Benito et al., 2007). Accordingly, several hypotheses have been formulated to emphasize the problems causing a gap between the executive order (the regulations that are needed to implement the law) and the daily practices which is also called material harmonization. However, little attention has been paid to the gap between the law and the executive order, which is called formal harmonization. Therefore, apart from the gap between the executive order and the daily practices (material harmonization); insight into the gap between the executive order and the law (formal harmonization) could be an important factor for the success of the accrual accounting adoption and thus implementation.

Hence, this study is designed as follows: we use a mixed-method approach (Tashakkori and Teddlie, 1998) in order to improve our understanding of where and why the adoption and implementation of accrual accounting in the public sector fails when looking at disclosure items. Thus, first, we use a table derived from the disclosure items (Benito et al., 2007, p. 303) to calculate the formal and material harmonization level as a means to determine the reasons for shortfalls. In the context of our research, (a) the Public Financial Management Control Law (PFMCL) represents the *law* that is in line with IPSAS; (b) the General Management Accounting Regulation (GMAR) is the *executive order* as the operationalizing regulation of PFMCL; and (c) the Central Government Public Report represents the actual *practices* after the implementation of the executive order (please see Figure 1). We consider the gaps between (a) and (b) and between (b) and (c). Secondly, because the aim of this paper is to shed light on the reasons for the shortfalls in harmonization levels, we conduct semi-structured interviews with key public sector actors to explain the reasons for shortfalls in the adoption and implementation of accrual-based rules. We use institutional theory and the decoupling concept to develop possible explanations for the gap with IPSAS. In light of these research questions, we examine Turkey, which does not fit squarely into either Europe or the Middle East (Müftüler Bac, 2005, p. 18); but also with strong links to EU. Similar to many emerging countries, despite the implementation of accrual accounting rules more than ten years ago in the Turkish public accounting sector, there are still shortfalls in the formal and material harmonization levels.

Hence, this paper addresses a gap in the literature identified by Gomes et al. (2015, p. 269), Marti and Kaperskaya (2015, p. 177), and Ouslavista (2014, p. 274) regarding the lack of research on country-specific cases involving IPSAS.. As a contribution, we reveal that the difference between the law and the executive order has been created intentionally as a way to avoid changes in the internal structures of organizations. Second, in accordance with Andrews (2012, p. 137), this study is a good source of data to deepen our understanding of possible failures in the actual practices of implementing formal rules in an emerging country in order to identify “relevant practices” for emerging countries instead of “best practices”.

The remainder of this paper is structured as follows: Section 2 addresses the theoretical framework. The research questions and methodology are then followed by a presentation of the level of disclosure and discussion. The final section presents our conclusion.

2.Theoretical framework

The rational motive behind several countries’ decision to adopt the accrual accounting method is a common institutional theory, which is one of the major theoretical approaches in public sector accounting research (Van Helden, 2005, p. 108).

DiMaggio and Powell (1983, p. 150) identify three mechanisms for institutional isomorphic change: coercive, mimetic and normative isomorphism. Coercive isomorphism arises from political influence and relates to the problem of legitimacy; it is characterized by the imposition of rules to adopt similar forms of change in both structures and processes. An important political concern at the national level may result in the implementation of IPSAS (Oulasvirta, 2014, p. 274), and because Turkey regards the EU as a benchmark, its concerns are Turkey’s main motivation for the change in public sector accounting. Turkey currently enjoys financial and technical support from international bodies such as the IMF, the EU, and the WB, and one of the requirements for this continued support is the presentation of transparent and accountable financial statements consistent with international standards. Thus, inspired by international standards, the “Public Financial Management and Control Law, no: 5018” was introduced by the Turkish government in 2004 to provide accountability and transparency to encourage the effective, economical and efficient distribution of public resources (in the form of coercive isomorphism). This accrual-based accounting regulation applies to public institutions, including the central government, local governments and social security institutions, through regulations based on the law, including the General Management Administrative Regulation, which is intended for application by the general management of the public sector in Turkey. Mimetic

isomorphism results from standard responses to uncertainty and involves adopting changes that have been previously undertaken by other organizations. Reluctant organizations attempt to reorganize themselves in the likeness of organizations that they perceive as legitimate (DiMaggio and Powell, 1983, p. 152). Normative isomorphism, which is associated with professionalism, refers to the strong effects and pressures associated with professional affiliations. The influence of IFAC and IPSASB are examples of normative forces pressing for the adoption of IPSAS (Gomes et al., 2015, p. 272). These isomorphic processes cause organizations to become similar to one another, thus facilitating inter-organizational transactions. Although the three mechanisms may emerge under different conditions and have different outcomes, they tend to “intermingle in an empirical setting” (DiMaggio and Powell, 1991, p. 67). Notwithstanding the fact that each mechanism involves a separate process, two or more isomorphic pressures can operate simultaneously, and clearly identifying the effects of each type of pressure is difficult in such situations.

Although these processes increase an organization’s legitimacy, they also conflict with day-to-day activities (Nor–Azizah and Scapens, 2007, p. 213) in practice. Because of this incongruity between institutional pressures and an organization’s exertions, institutional theorists argue that formal structures and actual operations of the formal structures often become “decoupled” (DiMaggio and Powell, 1991, p. 67; Nor–Azizah and Scapens, 2007, p. 213, Bromley and Powell, 2012). Decoupling is described as a gap between policy and practice that protects the technical core and the internal structures of an organization (Nor–Azizah and Scapens, 2007, p. 213). According to Weick (1982, p. 360), decoupling is seen in situations in which elements affect one another “suddenly (rather than continuously), occasionally (rather than constantly), negligibly (rather than significantly), indirectly (rather than directly), and eventually (rather than immediately)”. Based on this background, Bromley and Powell (2012) develop two types of decoupling and argue that decoupling occurs on two levels: “policy and practice” and “means and ends”. In the policy and practice type of decoupling, organizations adopt policies but do not implement them. This form of decoupling is likely to be seen as an operational failure. In means and ends decoupling, rules and policies are implemented but they have only a weak relationship with the intended goals (Bromley and Powell, 2012: p. 485). This form of decoupling is increasingly common in contemporary organizations (Bromley and Powell, 2012: p. 491). Based on this background, in this study, we borrow ideas from the concept of decoupling to explain the gap with IPSAS.

3. Research questions and methodology

The concept of harmonization is studied from different perspectives and within different contexts in the literature. Empirical research analyzing international harmonization primarily falls into one of two major approaches: 1) studies examining accounting standards and other regulations (formal harmonization) and 2) studies analyzing the accounting practices of entities within a given regulatory framework (material harmonization) (Tudor, 2010, p. 424). Formal harmonization is the path and basis from which to achieve material harmonization (Tudor, 2010, p. 424). However, little research has examined both the formal and material harmonization of public accounting rules (Pina and Torres, 2003; Torres, 2004; Perez and Hernandez, 2007). Against this background, we consider the following research questions:

- (1) a.** To what extent are the rules adopted by emerging countries, e.g., Turkish public accounting executive orders, consistent with IPSAS (formal harmonization) in terms of disclosures in financial reporting?

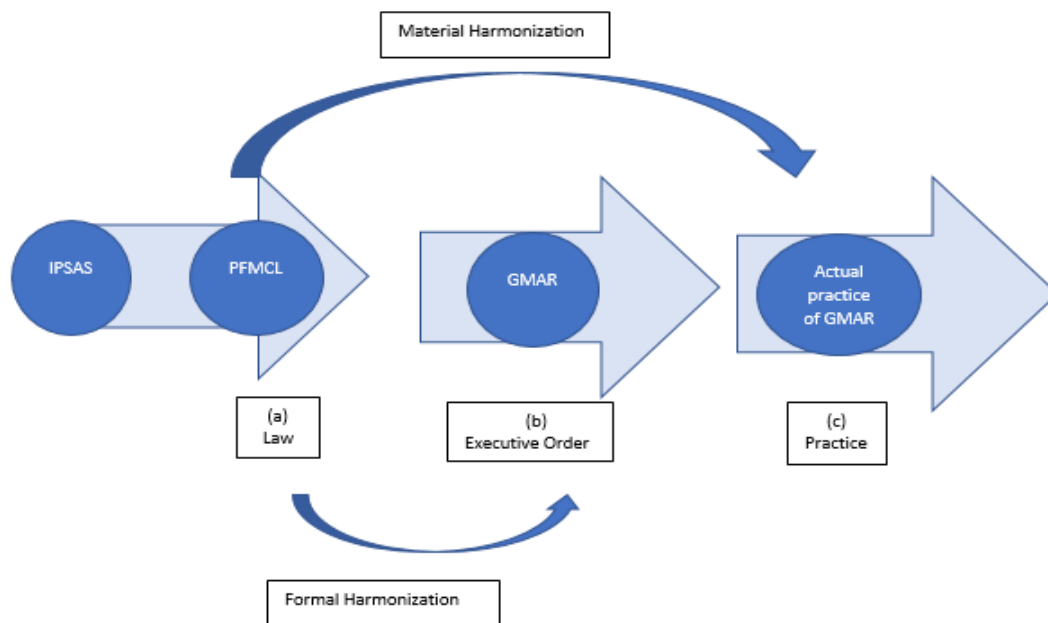
b. To what extent are the actual practices of implementing Turkish public accounting executive orders consistent with IPSAS (material harmonization) in terms of disclosures in financial reporting?
- (2)** What explains the gap between IPSAS and the levels of harmonization (both formal and material) in terms of disclosure items?

We concentrate on Turkey as a striking case mainly owing to its demonstration capacity for other emerging country contexts (Öniş and Kutlay, 2017, p. 7). First, Turkey is an emerging country with rapid economic growth and an intense democratization experience and it is a strong practitioner of the public sector reforms. Second, Turkish political elites became very ambitious in implementing public reforms during the first stage of the era of Justice and Development Party (AKP) from 2007 to 2011. Third, Turkey is a significant case for emerging countries not only because of its increasing capacity and political willingness for the implementation of reforms in the public sector but also for its failures, regressions and decline in AKP's performance which caused the gap between the goals and results as of 2012.

To answer the first research question, we used a table (please see the appendix) that includes the minimum requirements and crucial items for IPSAS regarding disclosure items, in line with the studies by Perez and Hernandez (2007, p. 152) and Benito et al. (2007, p. 303). This table consists of items and statements that provide various types of information related to budgets, physical assets, the depreciation of physical assets, accounting for borrowing costs, events occurring after the balance

sheet date, statements of accounting policies, statements of differences in financial positions, contingencies, financial leasing operations, financial statement disclosures, consolidated financial statements, the cost of services, and the effective, economical and efficient distribution of resources (Benito et al., 2007, p. 303; Perez and Hernandez, 2007, p. 152) to be disclosed in annual accounts under IPSAS. Because none of the items has priority over others and the items to be disclosed are regulated by law, we chose to evaluate the items dichotomously (i.e., as 1 for disclosed items and 0 for undisclosed items). We analyzed the year-end Central Government Public Account Reports between 2010 and 2014. Owing to the national anti-corruption law that has been adopted in 2010, we selected the period from 2010 to 2014, to ensure that all financial reports have been reported under the same requirements. By the way, we also covered both periods mentioned above.

Figure 1: The quantitative part of the study



Second, in the qualitative part of the research, in order to interpret the results of Table 2 in the Appendix and explain the differences between the executive order and actual practices under IPSAS regarding the disclosure items, we conducted semi-structured interviews (please see the appendix) with key experts so that we could gain insights into their perceptions (Atkinson and Shaffir, 1998: p. 48).

In other words, our research design provided us with a more complete understanding of the decoupling problems arise during the implementation process from different perspectives. It is acknowledged that the interviews as a source of data are subject to the interviewees' accuracy, biases and motivations. We interviewed individuals with different types of roles as proposed by Christensen and Parker (2010) such as: users of the information (WB), producers of the information (Ministry of Finance), promoters of the change (WB) and commenters (scholars) of the change such that we could avoid problems that may arise during the interviews as much as possible. The selection of the interviewees was based on the expertise area (public sector finance) of the interviewees, and advice from the other interviewees. We checked how the opinions of the interviewees are representative and relevant as a group. Then we found that the interviewees had overlapping opinions. The interviews were conducted in different sessions between May 2013 and February 2017 and lasted approximately 60 minutes each. All but four of the interviews occurred face -to -face. Four interviews were performed via Skype.

Table 1: Overview of the Interviews

Abbreviation for the interviewee	Organization	Function of the Interviewee	Responsibility of the interviewee	Interview duration (min)
WB_1	World Bank	Lead Specialist	Public Sector Financial Management	54
WB_2	World Bank	Senior Specialist	Public Sector Financial Management	52
WB_3	World Bank	Senior Specialist	Public Sector Financial Management	62
F_1	Ministry of Finance	Manager	Public Accounts	102
F_2	Ministry of Finance	Specialist	Public Accounts	34
F_3	Ministry of Finance	Specialist	Public Accounts	37
CA_1	Court of Accounts	Senior Specialist	External Audit	64
CA_2	Court of Accounts	Senior Specialist	External Audit	43
CA_3	Court of Accounts	Senior Specialist	External Audit	40
U_1	University	Associate Professor	Public Sector	42
U_2	University	Associate Professor	Public Sector Financial Management	61
U_3	University	Full Professor	Public Sector	83

4. The level of disclosure

The results (see Table 2 in the appendix) reveal a mean of 58% for the level of formal harmonization of disclosure items in the executive order and a mean of 38% for the level of material harmonization for items disclosed in the Central Government Public Accounts from 2010 to 2014. Our consistent findings between 2010 and 2014 show that in terms of formal harmonization, items related to the disclosure of business-like items such as consolidation, financial leasing, and contingencies are neglected. However, in terms of material harmonization, the most neglected items were related to the

disclosure of costs of services and the effective economic, and efficient distribution of resources. We mainly focus on disclosure items because disclosing information regarding outputs of the public sector is particularly important for ensuring transparency especially for the public. The relationship between disclosure and accountability is not robust for all forms of disclosure. Instead of conflating transparency and accountability, we must identify the conditions under which information disclosure actually boosts accountability (Nelson, 2003, p. 250).

We begin our analysis with the budget-related items disclosed in the Central Government Public Accounts. All budget items, including the functional, economic, corporate and financial classification of budget items, have been disclosed properly. This result indicating proper disclosure may be based on the importance of budgetary items given the legal properties of the budget in the Turkish governmental accounting context. In Turkey, as in other code law countries, the budget is used as a tool to exercise legal control (Manes Rossi et al., 2014, p. 459). In addition, IPSAS do not explicitly require budgetary reporting; forecasted annual figures are included in the study considering IPSAS 24 that is related to the presentation of budget information in financial statements.

Although IPSAS 1 does not establish indicators regarding the effective, economic, and efficient distribution of resources, it does provide recommendations. Analyzing the harmonization level of items related to the cost of services and the effective, economic, and efficient distribution of resources, we observe a disclosure level of 0%. The reason for this gap may relate to the structure of the information, in stark contrast to international standards, such that detailed information is not a component of financial reports as described by the rules. By contrast, in Turkey, indicators of the cost of services and the effective, economic, and efficient distribution of resources are generally presented in organizations' strategic performance reports. However, strategic performance reports are not an integral part of annual reports. In addition, Turkish society may be disadvantaged by "the lack of pre-conditions for an information society" (Kocacık, 2003, p. 1). Moreover, we observe that Turkish regulations have only a few rules regarding information disclosure, and even those few rules are applied only partially in the financial statements of the central government. These results provide important clues about accounting traditions in Turkey, as noted in our discussion section.

IPSAS 17 states the disclosures required for each class of property, plant and equipment. Whereas items regarding the disclosure of physical assets are neglected in the actual practices of the rules, items pertaining to the disclosure of the depreciation of physical assets are presented in the Central Government Public Accounts. The reason for this gap may be that information about the depreciation of physical assets is an important part of the executive order, but detailed information about physical

assets (e.g., information on asset variation, intangible assets, and infrastructure assets) is not an integral part of the executive order. Based on the same logic, there are also many shortfalls in disclosures related to borrowing costs; the only item disclosed is the total borrowing cost.

Moreover, business-like items such as information about financial leasing operations and consolidated financial statements are not mentioned in any article in the executive order. Regarding financial leasing, IPSAS 13 specifies the details of disclosures for leases. In Turkey, even public institutions have the authority to engage in financial leasing, and leased items are not shown in financial reports. Moreover, events occurring after balance dates are not disclosed in the actual practice of the formal rules. In fact, one article covers events occurring after the balance sheet date, but it is slightly different from that contained in IPSAS 14. In addition, statements regarding variation in financial positions and information about contingencies (IPSAS 19) are not disclosed in the actual practice of the formal rules.

Regarding accounting policies in the Turkish regulation, every entity is required to prospectively account for changes in accounting policies (GMAR). Moreover, although changes in accounting estimates constitute an important part of IPSAS, they are not mentioned in any article of the executive order. In addition, IPSAS 3 describes the disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. When an error arises under the Turkish regulation, its correction is shown prospectively in the opening transactions of the next fiscal year (GMAR).

Clearly, a significant amount of financial reporting information is disclosed, but further development is needed. Data that are considered a priority, such as infrastructure assets, depreciation, contingent liabilities, and information regarding effectiveness and efficiency that remains hidden, may gradually be disclosed. After 10 years of implementation of accrual-based rules that are largely in harmony with international rules, Turkey remains in an early stage of harmonization. The findings of the interviews are discussed in the discussion section.

5. Discussion

As a first explanation for the gap mainly in terms of formal harmonization, we observe “the means and ends” (Bromley and Powell, 2012) type of decoupling in the Turkish setting in which the rules and policies are implemented with uncertain relations to outcomes. This implementation, even with its uncertain relation to outcomes, clearly increases the legitimacy of the related public sector in the eye of international bodies, as donor support is particularly involved with the improvements to the law. However instead of being homogenous and similar, the heterogeneity continues in a more complicated way with irrelevant outcomes. This leads us to the finding stated by Ashworth et al. (2009, p. 165) that

“the primary objective of organizational change is not better substantive performance but greater legitimacy” in most developing countries, which is also observed in the Turkish case. One of the interviewees stated as follows:

“The accuracy of the figures in the financial statements is not as important as the figure itself” (F_1).

Even though the law is in line with the international standards (WB_1, WB_2, WB_3), there is a significant gap between IPSAS and the executive order. Instead of being “an operational failure”, the gap in the executive order is being caused *intentionally*, in order to protect the technical core and the internal structures of the organizations from the external pressures (Bromley and Powell, 20012, p. 498). We observe that the coercive pressures of international bodies may be a potent force in the decision to adopt accrual-based rules based on the central notion of legitimacy. However, coercive pressure itself is not sufficient to lead to successful adoption and implementation, and thus to improve the degree of transparency or the disclosure level. Coercive influences are limited in their ability to affect the “core” aspects of organizations (Ashworth et al., 2009) which are “less likely to be visible and more likely to be protected from change” (Andrews, 2011) and causing decoupling. Moreover, instead of following the principles proposed by the law, the executive order is being used as a tool to protect the internal structures of the organizations as explained by the interviewee:

“Instead of following the requirements ordered by the law, they change the law and then ‘de facto’ applications become legitimized by passing according to the legislature.” (WB_2)

The interviewee WB_3 added the following:

“Turkish authorities know very well how to score high on assessments by international organizations. In this vein, evaluations generally pertain to whether or not a report has been published within the timeframe determined by a specific law, or whether or not certain topics are covered in the report. Turkish authorities publish the reports on the indicated/required date. This way evaluation criteria are met, but the content of the reports may be often laden with problems.”

Second, as an emerging country-specific explanation that deepens the gap in formal and material harmonization, changes in the Turkish public sector are rarely due to grassroots demand (F_1, F_2, U_1, WB_2) and the Turkish government does not face pressure from society as in developed countries (Yüzyıl, 1996, p. 21). Concomitantly, items regarding information supplied to stakeholders are the most neglected aspect of Turkey’s formal and material harmonization. In the Turkish context, “the users of financial statements” are not mentioned in any article of the executive order. Moreover, the statement about “the users of financial statements” is not found in either the executive order or the

translated Turkish IPSAS; this may be a strong indication of the nature of the relationship between the state and civic society. One of the interviewees (U_1) stated:

“In fact, there is a law no. 4982 on the Right to Information. Public organizations are obliged to give information to citizens in the case of an application. However, this right is neglected in several ways. When a citizen applies to a public organization based on Law no 4982 the Right to Information, the public organization can classify the relevant information as “secret”. For example, they may even call the information about staff’s educational status secret. We really experienced this... Moreover, this application is then recorded as “answered”. The public organization is not interested in whether or not at citizen as applicant is satisfied with the answer and the citizen then gives up”.

In such a context, one might argue that the applicability of reforms depends on public pressure and citizens’ expectations. Apart from public pressure, internal audits and external audits should be operating well, and the legislature should be able to force the executive to apply the rules; however, such an enforcement mechanism does not work in Turkey (CA_1, U_1). The absence of an active media in informing society further hinders harmonization.

Third, in Turkey, the state dominates the private sector in addition to civil society, and this may be one of the reasons for the shortfall in the business-like items for both formal and material harmonization. Sözen and Shaw (2002, p. 482) explain the situation as follows:

“... the private sector is in a dependency relationship with the state. An indication of this is the way in which top Civil Servants transfer into the private sector.In the UK there is some degree of transfer of top managers from the private sector to government. This is almost unheard of in Turkey. As a consequence, in the UK a degree of private sector values enters the public sector, whereas in Turkey, it could be argued that public sector values enter the private sector.”

In such a situation, “introducing business-like items (e.g., financial leasing operations, consolidation methods) into public sector accounting is quite difficult” (WB_2, CA_1). This difficulty increases the buffer generated by decoupling.

Finally, critical problems arise during the translation of IPSAS concepts from English to Turkish that lead to the non-disclosure of certain items in the Turkish context with regard to formal harmonization (F_1, F_2, F_3). The problems lie in both the translations themselves and the understanding of certain concepts in cultures in which such concepts seem foreign (Zeff, 2007, p. 296). Such conceptual differences arise “from the fact that the relationship between concepts and terms is far from univocal” (Marco, 2007, p. 265), which leads to differences between the source text and the

target text as a result of difficulties finding suitable equivalents for accounting terms, as in the Turkish case. For example, the concepts of “measurement” and “recognition” have different meanings in the Turkish context versus IPSAS. In IPSAS, a recognized item is one that meets the definition of an element and then can be measured. By contrast, in the Turkish context, if an item can be measured, then it can be recognized. Moreover, the words “service” and “budget” have very different meanings in the Turkish context. In the Turkish system, budget revenues and budget expenses are followed on off-balance sheet accounts. The scopes of revenue and budget revenue are not the same, and the scope of revenue is more comprehensive than the scope of budget revenue. Similarly, the scope of expenses and budget expenses are not the same. For this reason, when a fiscal transaction is recognized, the respective records are maintained in both normal accounting records and budget records as two transactions. Furthermore, the concepts of “possible” and “probable” used in IPSAS cause uncertainty in the Turkish context. The solution to this problem is important for the application of a single set of accounting standards throughout the world.

5. Conclusion

Using institutional theory and the concept of decoupling, we argued that the change in the public sector accounting system in Turkey was primarily motivated by international organizations as a potent coercive force for the adoption of accrual-based rules. In Turkey’s case, coercive pressures exerted by international bodies are clearly observed in the form of laws (such as PFMCL), which leads to increased legitimacy in the eyes of institutional bodies. However, as a striking finding of our study, we reveal that the executive order (GMAR), which was issued based on the law (PFMCL), to streamline the Turkish system under international pressure, has led to a “decoupling”, because intentional differences between the law and the executive order were created. Changes in the accounting system appear to have been implemented primarily to benefit the Turkish government’s image, particularly in the eyes of international bodies. In this sense, we suggest a crucial finding that without the destruction of the existing order and increased internal motivation, the pressure to change exerted by international bodies, became a limitation in both the adoption and implementation processes. In such a context, as observed from the results, overall levels of harmonization regarding the disclosure items are relatively low (58% for formal harmonization and 38% for material harmonization), which may indicate that the reforms are somewhat behind the agenda of Turkey’s central governments; hence, the magic shoes of IPSAS do not fit comfortably in the current context. Moreover, we emphasize emerging country-specific factors that deepen the gap in the level of harmonization, including a lack of social pressure which is generally more prominent in developed

countries, and state domination over both civic matters and the private sector. In addition, this study emphasizes the importance of translating concepts in IPSAS from English into different national languages as a potential common problem in the IPSAS adoption process.

Although accrual accounting-based rules were implemented nearly ten years ago, central governments may need more time to internalize them and we should consider whether central governments and local governments can truly incorporate the NPM style of thinking into their routines.

Furthermore, we must develop new ideas in order to translate IPSAS into public sector accounting behavior. It is not sufficient to formulate financial statements accurately; annual accounts and related information must be open to the public. In this aspect, information campaigns could target citizens to inform them about their rights to obtain information regarding government activities. Enforcement systems seek to increase the level of disclosure may be useful for reaching sustainable institutional success. These results also offer some implications for policy making, especially for the disclosure items, for which the implementation of the IPSAS is critical. Bearing in mind the main ideas regarding the discrepancy between the law and executive order, it seems quite critical to convince policy makers for the success of implementation. It is obvious that special attention should be paid to controlling of the discrepancy between the law and the executive order which may be a potential problem in all emerging countries. A major recommendation to the international bodies that may be derived from this paper is to develop indicators to measure the change in the actual practices of the financial accounting systems. Given the complexity of the public sector accounting reforms, special attention should be paid to the adoption and implementation of the standards both by the national and international policy makers. Other suggestions include enhancing the role of national Supreme Audit Institution and linking its activities with the international bodies to better understand what is being executed in the operationalization of the law and the regulations.

Moreover, because non-native English speakers may be less confident in the translation and interpretation of concepts from English into their native language(s), the importance of translation must be emphasized, with the recognition that good translation is crucial to success. A group of experts working on translating concepts from IPSAS into Turkish or any other language should also link the translation of concepts with their actual practices in order to create a springboard for successful IPSAS adoption.

Finally, our results should be interpreted with caution. This study was based solely on the Central Government Public Account for the 2010-2014 year-end financial reports. In future work, we must further improve our understanding by analyzing the public sector as a whole, including the central

government, local governments and social institutions. Moreover, some of the findings are opinions and are subject to different interpretations.

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7. Appendix

Table 2: Disclosure items

Disclosure items	Formal Harmonization	Material Harmonization				
		2010	2011	2012	2013	2014
1. Budgetary information						
Actual budgetary expenditures and revenues	1	1	1	1	1	1
Modification from original budget	1	0	0	0	1	1
Original budgetary expenditure and revenues	1	1	1	1	1	1
Comparison with the previous year	1	0	0	0	0	0
Functional classification of budget items	1	1	1	1	1	1
Economical classification of budget items	1	1	1	1	1	1
Corporate classification of budget items	1	1	1	1	1	1
Financial classification of budget items	1	1	1	1	1	1
2. Physical Assets						
Fixed assets	1	1	1	1	1	1
Assets variation	1	0	0	0	0	0
Intangible assets	0	0	0	0	0	0
Infrastructure assets	0	0	0	0	0	0
3. Depreciation of physical assets						
Charges for exercise depreciation	1	1	1	1	1	1
Accumulated depreciation	1	1	1	1	1	1
4. Accounting for borrowing cost						
Borrowing amount	1	1	1	1	1	1
Term of each long-term debt	0	0	0	0	0	0
Variation of public borrowing	0	0	0	0	0	0
5. Events occurring after balance date	1	0	0	0	0	0
6. Statement of accounting policies	1	0	0	0	0	0
7. Any statement of the variation of financial position	1	0	0	0	0	0
8. Contingents	0	0	0	0	0	0
9. Financial leasing operations	0	0	0	0	0	0
10. Statement of financial position disclosed	1	1	1	1	1	1
11. Statement of financial performance disclosed	1	1	1	1	1	1
12. Statement of changes net assets in equity disclosed	0	0	0	0	0	0
13. Statement of cash flow disclosed	0	0	0	0	0	0
14. Disclosure of notes	0	0	0	0	0	0
15. Consolidated financial statements	0	0	0	0	0	0
16. Cost of services, economy, efficiency and effectiveness						
Cost of the services	0	0	0	0	0	0
Indicators of efficiency	0	0	0	0	0	0
Indicators of effectiveness	0	0	0	0	0	0
Indicators of economy	0	0	0	0	0	0
17. Presentation of notes in an order	1	0	0	0	0	0
Disclosed items	19	12	12	12	13	13
Disclosure level	58%	36%	36%	36%	39%	39%

Descriptive Statistics

	Mean	Std. Deviation	N
CI	,6247	,13706	102
City	,0980	,29884	102
Debt	,2889	,31840	102
Income	415,4608	211,47360	102
EX	,4706	,50160	102
Population	11,8912	1,6311	102
Education	,1241	,05909	102
EU	,3686	,49771	102
staff	,1919	,18035	102

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Correlations

		CI	City	Debt	Incom e	EX	Populati on	Educati on	EU	staff
Pearson Correlation	CI	1,000	,176	-,162	,006	,632	,291	,231	,548	-,283
	City	,176	1,000	-,047	-,009	,019	-,003	-,010	,021	-,126
	Debt	-,162	-,047	1,000	,038	-,169	-,186	-,101	-,105	,375
	Income	,006	-,009	,038	1,000	,021	,002	,284	,031	,331
	EX	,632	,019	-,169	,021	1,000	,198	,110	,464	-,227
	Population	,291	-,003	-,186	,002	,198	1,000	,020	,189	-,192
	Education	,231	-,010	-,101	,284	,110	,020	1,000	,214	-,003
	EU	,548	,021	-,105	,031	,464	,189	,214	1,000	-,234
	staff	-,283	-,126	,375	,331	-,227	-,192	-,003	-,234	1,000
Sig. (1-tailed)	CI	.	,039	,052	,475	,000	,002	,010	,000	,002
	City	,039	.	,320	,464	,423	,488	,460	,417	,103
	Debt	,052	,320	.	,353	,045	,031	,156	,146	,000
	Income	,475	,464	,353	.	,419	,494	,002	,377	,000
	EX	,000	,423	,045	,419	.	,023	,135	,000	,011
	Population	,002	,488	,031	,494	,023	.	,419	,029	,027
	Education	,010	,460	,156	,002	,135	,419	.	,015	,489
	EU	,000	,417	,146	,377	,000	,029	,015	.	,009
	staff	,002	,103	,000	,000	,011	,027	,489	,009	.
N	CI	102	102	102	102	102	102	102	102	102
	City	102	102	102	102	102	102	102	102	102
	Debt	102	102	102	102	102	102	102	102	102
	Income	102	102	102	102	102	102	102	102	102
	EX	102	102	102	102	102	102	102	102	102
	Population	102	102	102	102	102	102	102	102	102
	Education	102	102	102	102	102	102	102	102	102
	EU	102	102	102	102	102	102	102	102	102
	staff	102	102	102	102	102	102	102	102	102

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change

1	,739 ^a	,546	,507	,09625	,546	13,975	8	93	,000
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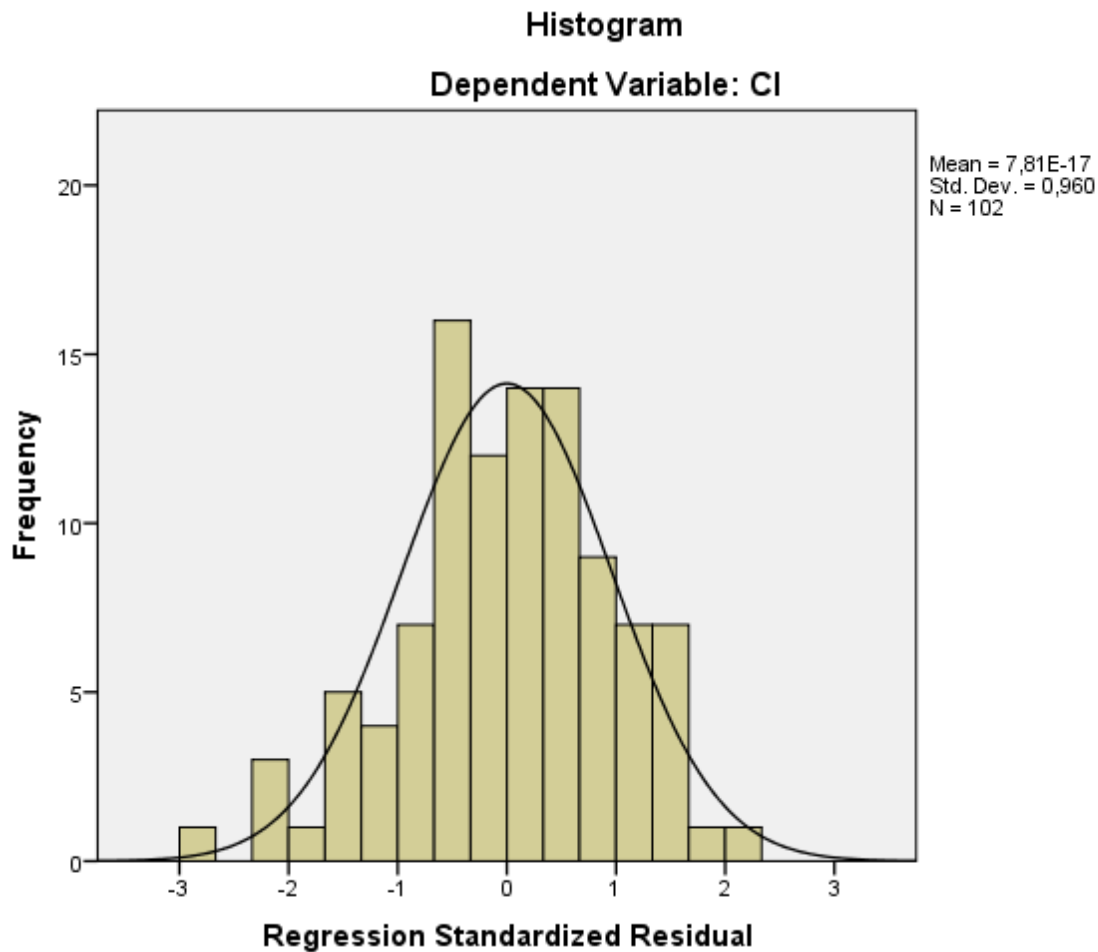
a. Predictors: (Constant), staff, Education, City, Population, EX, Debt, Income, EU

b. Dependent Variable: CI

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	,489	,031		16,010	,000		
	City	,071	,032	,155	2,194	,031	,981	1,019
	Debt	,007	,033	,016	,204	,839	,828	1,208
	Income	,000	,000	-.025	-,320	,749	,798	1,254
	EX	,123	,022	,450	5,597	,000	,754	1,326
	Population	,000	,000	,138	1,892	,062	,915	1,093
	Education	,305	,174	,132	1,755	,083	,867	1,153
	EU	,074	,023	,267	3,268	,002	,730	1,369
	staff	-.053	,064	-.070	-,829	,409	,690	1,450

a. Dependent Variable: CI



Interview Questions

Part I: General Overview Regarding the Reform Process

Question: Turkey began a big public accounting reform in the 1990s that is yet ongoing. Since 2004, the government has been working on a new reform that is moving toward the IPSAS adoption. What do you think about this reform process?

Prompt: Could you please describe me how this implementation process affects your daily operations?

Question: What are the stimuli and the main reasons to carry out this reform?

Prompt: Where do institutional arrangements come from in the first place? What causes them to organize the public sector?

Prompt: What is the role of international and professional bodies?

Part II: Reasons Affecting the Level of Harmonization

Question: Considering the particular features of the political/administrative system and the actual point of public accounting in Turkey, what kind of obstacles and difficulties may arise during the implementation process?

Prompt: How well do you think the accrual-based standards meet the needs of Turkish public-sector?

Question: Does the group/organization that you represent agree with the implementation of accrual accounting in the Turkish public-sector context?

Prompt: Could you please walk me through what you experienced in your organization.

Question: Considering the Turkish Central Government Public Reports, what do you think regarding the level of disclosure?

Prompt: What do you think about the non-disclosed items? Which items are the non-disclosed items based on your experience?

Question: What might be the reasons behind the non-disclosed items?

Prompt: Do you have any personal experience with the non-disclosed items?

Question: What do you think about the of material and formal harmonization?

Part III: Means and Strategies

Question: In order to be successful in this public accounting change process, what means and strategies should be assured in order to increase the level of harmonization?

CHAPTER 4 - IMPLEMENTATION OF IPSAS: LIMITATIONS TO ISOMORPHISM

Abstract

Drawing on institutional theory, this study sheds light on the limitations to isomorphic forces by focusing on the roles of appointed and elected officials in the public sector. Our study takes a distinctive position by showing that isomorphic influences prove to be successful in promoting the change up to a certain threshold. We illustrate that the involvement of political actors and the barriers to interaction within and between the accrual accounting related branches of the public sector arise as strong limitations beyond isomorphic influences. We argue that what political actors choose to adopt is not a proxy for what they want to implement, especially in terms of externally driven isomorphic forces, since the intentions may change over time. As long as coercive isomorphic forces are primarily relied upon for what has been adopted, change will be limited with regard to reaching the intended outcomes of accrual accounting implementation.

Key words: accrual accounting, public financial reform, Turkey, developing country, politics

1.Introduction

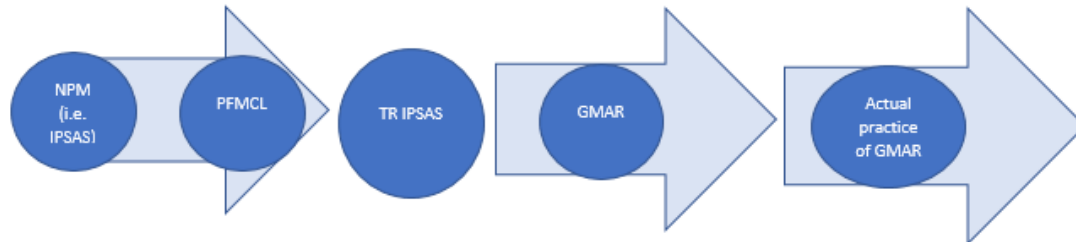
Organizations conform to external pressures in order to increase their legitimacy, resources and survival capabilities (Scott, 1987, p. 498). The implementation of changes to the existing system is more complicated than just the adoption decision itself. It would be simplistic and naïve to claim that once supranational actors exert pressures and provide incentives, the related country will implement the requirements directly (Civelekoğlu, 2012, p. 380). Accordingly, several problems are observed in

the adoption and implementation process of externally motivated reforms as, for instance, in the adoption and implementation of accrual accounting-based rules in the public sector. When developed countries adopt reformed accounting standards, it is common to see developing countries change their accounting systems by adopting the same techniques, procedures, systems or standards, mainly due to pressures from international bodies. Although there is controversy in the literature regarding accrual accounting, developing countries have too eagerly and readily accepted the adoption of accrual accounting (Deaconu et al., 2011) to conform with the expectations of international organizations. Even though the new institutionalism has altered the focal research question from why organizations are so heterogeneous to why organizations are so homogeneous (Frumkin and Galaskiewicz, 2004), in most cases, such reforms result in less change than expected (Andrews, 2012), and thus, heterogeneity continues in different ways. There is a clear gap between the intended outcomes of accrual accounting and what has been achieved through its implementation in the public sector (Haveri, 2006; Andrews, 2011; Adhikari and Garseth-Nesbakk, 2016).

In this study, we focus on the limited impact of isomorphic pressures, especially coercive isomorphism, regarding the reforms in the context of accrual accounting-based rules. We ask what limitations arise to isomorphic influences in the given political and regulatory context of a country beyond technical and practical problems (Van Helden and Ouda, 2016; Goddard et al., 2015), and we argue why isomorphic influences remain insufficient in promoting the change. In order to answer the research question, we mainly focus on the adoption and implementation of accrual based rules in the context of public sector where the isomorphic influences remain insufficient to promote the change. In this respect, first we present an overview of the Turkish Governmental Accounting Standards, which are International Public Sector Accounting Standards (IPSAS) compliant standards, and regulations (as of now General Management Accounting Regulations, GMAR) which are currently being applied to the central government. Then we compare them with IPSAS 17 as a means of demonstrating the differences in the accounting regulations. We take IPSAS 17 into consideration as it is a crucial milestone with respect to capital assets (Christiaens, 2004). A previous study on Turkish Central Government shows that 38% of the disclosure items are disclosed in the actual practices of GMAR (Ada and Christiaens, 2018). In this study, we dig a bit further to see what happens in the valuation, recognition, measurement, valuation and disclosure of capital assets by highlighting the level 1 adoption process, level 2 adoption process and implementation process (please see figure 1). We use IPSAS 17 as a basis to our study in order to conceptualize the differing and overlapping points between IPSAS, Turkish IPSAS compliant standards and GMAR. In the context of our research, (a) the Public Financial Management Control Law (PFMCL) represents the law that is in line with IPSAS; (b) the

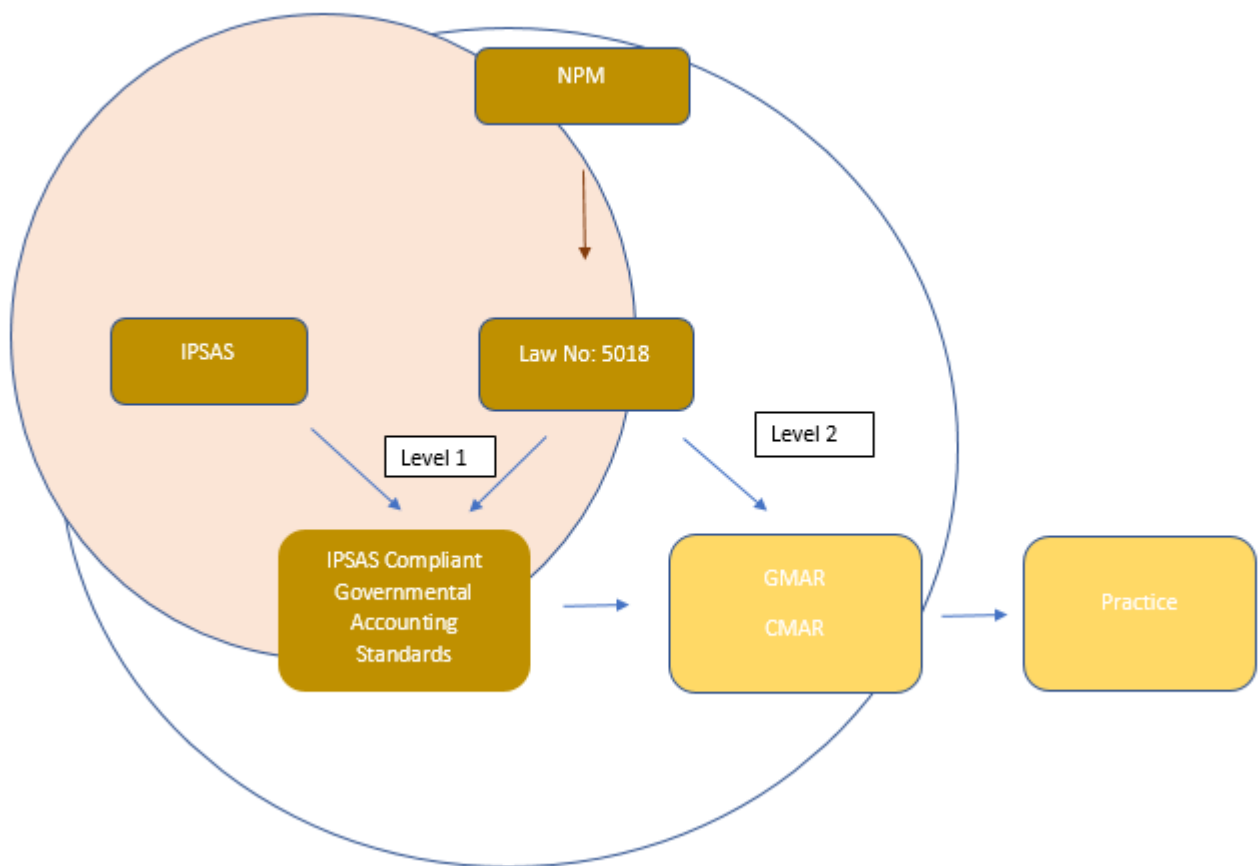
General Management Accounting Regulation (GMAR) is the executive order as the operationalizing regulation of PFMCL; and (c) the Central Government Public Report represents the actual practices after the implementation of the executive order (please see Figure 1).

Figure 1: Relationship among standards and regulations



Distinguishing among these three processes is crucial to bridging the gap between what has been adopted in level 1 and level 2 and what has been implemented and thus where isomorphic forces confront limitations. We make a distinction as level 1 and level 2, because Powell and Colywas (2008, p. 204) underlined that meaning (adoption as level 1) and actions (regulations needed for implementation as level 2) are distinctive institutional elements to investigate. Moreover, Suddaby (2010) inquires whether or not the institutional change improved the performance (regulations needed for the implementation as level 2 and implementation itself). Second, we conduct interviews with the key experts in order to understand the causes of the gap both for level 1 and level 2. In the given political and regulatory context of Turkey, we illustrate that isomorphic pressures face limitations, especially when i) the political actors interfere in the adoption and implementation processes especially as a change of intentions, and ii) the interaction within and between the accrual accounting related branches of the government is restricted. As a result, we suggest that isomorphic influences prove to be successful in promoting institutional change and may enhance implementation up to a certain threshold. To move beyond this threshold, it is crucial to establish/define the boundaries that restrict the manipulative role of the actors and build coordination within/between the related departments. Otherwise, isomorphic influences remain superficial and selective, mainly due to the lack of political will and power dependencies. As a contribution of the study, we underline that what has been adopted in level 1 is not a proxy for what has been adopted in level 2; and what has been adopted is not a proxy for what has been implemented. In other words, as long as coercive isomorphic forces are primarily relied upon for what has been adopted, change will face limitations to reach the intended outcomes of the accrual accounting implementation.

Figure 2: Interaction among levels



Since these limitations tend to be more of an issue in developing countries, the current study is conducted in a developing country, Turkey. We concentrate on Turkey as a striking case due to its demonstration capacity for other emerging country contexts (Öniş and Kutlay, 2016, p. 7). First, Turkey is an emerging country with rapid economic growth, an intense democratization experience and strong public-sector reforms. Second, Turkish political elites became very ambitious about implementing public reforms during the first stage of the era of the Justice and Development Party

(AKP) from 2007 to 2011. Third, Turkey is a significant case for emerging countries not only because of its increasing capacity and political will regarding the implementation of reforms in the public sector but also because of the failures, regressions and declines in AKP's performance, which has caused a gap between goals and results as of 2012.

Suddaby (2010, p.16) mentions that most of the papers on institutional research are quantitative; therefore, we rely on proxies that are quite distant from the meaning of institutionalization. Hence, methodologically, a single case study (Yin, 2010) is designed by combining multiple data collection methods, including semi-structured interviews and an analysis of internal documents.

The remainder of this paper is structured as follows: section 2 addresses the literature review, and section 3 addresses the history of accrual accounting in Turkey. The research methodology is followed by the presentation of the results and discussion. The final section presents our conclusion.

2.Literature Review

Organizations change in order to increase their legitimacy and survive in the field of organizations. Since “an institution is an established order comprising rule-bounded and standardized social practices” (Dillard et al., 2004: p. 508), institutional theory is mainly related to an organization's interaction with its environment, the effects of social expectations on the organization and the institutionalization of these expectations in the processes of the organization. Moreover, institutional theory views organizations as operating within a social framework of norms, values and taken-for-granted assumptions about what constitutes appropriate or acceptable economic behavior (Carpenter & Feroz, 2001). Organizations conform to institutional changes in their environment because they are rewarded with increased legitimacy, resources and survival ability (Scott, 1987: 468).

DiMaggio and Powell (1983) identify three mechanisms that secure isomorphic change and thus legitimacy: coercive isomorphism, normative isomorphism and mimetic isomorphism. Scott (1995) labels them differently as regulatory, normative and cognitive isomorphism. Coercive isomorphism is characterized by the imposition of rules to adopt the same types of changes in both structures and processes, and it is mainly about complying with the compulsory regulations, laws and requirements of the market, which highlights the importance of the factors that the organization imposes upon the individual as a condition of appropriate behavior (Fogarty, 1992). Organizations that are politically vulnerable and dependent in terms of resources are more open to such pressures (Andrews, 2011, p.135). Regarding developing countries, the most important factor affecting the change decision in the public sector is the external pressure mainly exerted by international bodies.

According to March and Olsen (2006), public organizations are managed by multiple levels of interests instead of by rational choice. Most papers analyzing public-sector accounting change in developing countries have studied the impact of western ideas on accounting practices (Val Helden, 2005; Jacobs, 2012; Van Helden and Uddin, 2016). This theme reflects upon how western ideas regarding the public sector influence accrual accounting, budgeting and auditing processes in emerging countries. Scholars have indicated the influence of isomorphism in order to explain the change towards the implementation of IPSAS (Christiaens et al. 2010; Christiaens et al., 2014) in the public-sector accounting context. In this sense, the acceptance of international standards by several governments may imply a coercive decision (Gomes et al., 2015). Mimetic isomorphism defines the adoption of changes that are experienced by other organizations that are regarded as superior. Normative isomorphism, which is associated with professionalism, refers to the strong influence and pressure exercised by professionalism.

Meyer and Rowan (1977, p. 340) claim that organizations tend to isomorphize in order “to increase their legitimacy and their survival prospects, regardless of whether the acquired practices are of immediate effectiveness”. Frumkin and Galaskiewicz (2004, p. 285) state that “organizations do not always embrace strategies, structures, and processes that enhance their performance but, instead, react and seek ways to accommodate pressures following external scrutiny and regulation”. Under these circumstances, symbolic adoption and thus implementation causes only symbolic legitimacy in the appearance of the organizations. Building on the prior studies, Ashworth et al. (2009) distinguish between two definitions of conformity as compliance and convergence. In addition, Hannah and Freeman (1984, p.155) make a distinction between “core” and “peripheral” aspects of organizations. Core is described as an organization’s identity and value system, and peripheral is described as an organization’s structures and processes.

DiMaggio (1988) emphasized that a process in which institutions are subject to change with emergence, reproduction and erosion cannot be understood without considering individuals and groups. Moreover, Oliver (1991) suggested that organizations do not reply to institutional pressures by directly adopting the required change and pointed to the importance of actors in organizations by showing how actors may affect the institutional framework with five strategic organizational responses: acquiescence, compromise, avoidance, defiance and manipulation. Lounsbury (2008) indicated that institutional theory has moved beyond isomorphism to focus on heterogeneity in order to consider the actors in the organizations and the differences in practices. Zilber (2002) analyzed the institutional process as an interplay among three components—actors, actions and meaning; meaning

connects actors and actions (Zilber, 2002, p. 236). Suddaby (2010) highlighted that even though the institutional work is executed by individuals in the organizations, it is very interesting that the individuals are very rarely visible in the institutional research. Suddaby emphasized that “institutional logics must have a perceptual component that operates cognitively at the level of individuals” (p. 17). He asked why the meaning in institutional research has disappeared by referring to Zilber (2002). Suddaby stated that “... simply counting the outcome of an institutional process fails to account for all that is important in the question of institutional theory. ... did it actually improve the performance? What was the motivation for adoption?” Powell and Colywas (2008, p. 204) highlighted the same issue by stating that “Meaning and actions... are proxies for one another, but distinctive institutional elements to investigate. Attention to what individuals and organizations do, separately from what they mean by doing it, should be central to the study of microprocesses”.

Focusing on only the technical and practical aspects of accrual accounting ignores most of the important issues in the public sector, including the political and regulatory context (Lapsley et al., 2009; Ahn et al., 2014, Adhikari and Garseth-Nesbakk, 2016). The lack of trained staff, lack of knowledge about accrual accounting, administration and organizational failures, difficulties in understanding accrual-based rules, lack of political commitment and resistance to change are common problems during the implementation of accrual-based rules, as was suggested by prior studies (Brusca et al., 2016; Gomes et al. 2015; Lapsley et al. 2009). Caperchione et al. (2013) noted that the studies should move further and consider the impacts of political factors and contexts during the implementation process of accrual accounting beyond the technical and practical arguments. Christensen and Parker (2010) contributed that the key actors associated with governments are quite influential in the accounting change decision; these authors highlighted the importance of political consensus (Christensen, 2005). Lounsbury (2008, p.349) suggested that the understanding of institutional theory needs to be revised to consider the actors in order to understand organizational heterogeneity. Haveri (2006) contributed that public-sector organizations are too complex to understand. Initiatives in public organizations are dominated by political power dependencies, and the current complexity in local governments limits rational reform processes and hence bends to the political leaders. Harun et al. (2015) suggested that the political tradition of a nation may diffuse and influence the intention of accounting reform change in the public sector. The problems with the traditions of central governments and the limitations of legislation and regulations “have played out in how a dialogic form of accounting has failed to emerge from important accounting reforms” (Harun et al., 2015, p. 706).

There is still an unanswered key question regarding whether institutional thinking changes organizational behavior (Short and Toffel, 2010; Greenwood, Hinings and Whetten, 2014). Organizations have several non-visible processes in which isomorphic forces are limited, and these processes use opaqueness to protect their core structures (Andrews, 2011, p. 132). Coercive influences are limited in their ability to affect the “core” aspects of organizations (Ashworth et al., 2007), which are “less likely to be visible and more likely to be protected from change” (Andrews, 2011). Coercive influences are “avoided” instead of leading to “an operational failure” in order to protect the technical core and the internal structures of the organizations from the external pressures (Bromley and Powell, 2012, p. 498). Moreover, it is obvious that the political controversy in implementing public-sector accruals across countries is broader than is outlined in the literature (Adhikari and Garseth-Nesbakk, 2016). This background leads us to discuss what limitations arise from isomorphic influences in the given political and regulatory context of a country, beyond technical and practical problems (Van Helden and Ouda, 2016; Goddard et al., 2015).

3. Research method

Because not much is known about the developing country-specific conditions regarding the implementation of accrual accounting beyond the technical and practical aspects, a single case study design is used, which focuses on understanding the dynamics present within a single setting (Eisenhardt, 1989; Glaser and Strauss, 1967; Yin, 2010). In this respect, case studies offer the advantage of richer details of actual cases. Therefore, we conducted semi-structured interviews with key experts so they could explain their perceptions; this helped us to have direct communication with the interviewees (Atkinson and Shaffir, 1998: 48). Furthermore, it was possible to ask follow-up questions in the semi-structured interviews where expected outcomes promised to be interesting (Eisenhardt, 1989: 539). In other words, our research design provided us with a more complete understanding of the problems that arise because of isomorphic pressures during the implementation process from different point of views, including users of the information, producers of the information and promoters of the change. Collecting experts’ personal perspectives regarding the change process through semi-structured interviews helped to provide more evidence about the process.

3.1.Data collection

Data collection was mainly based on the seventeen interviews conducted with experts from different organizations. We combined semi-structured interviews with document analysis of archival data and internal documents, including government reports, reports on public expenditures and financial accountability reports. We used the documents to reflect upon the situation in terms of accounting regulations and to show how capital assets should be accounted according to the reformed accounting rules in comparison with IPSAS 17. The overview regarding this comparison is found in Table 2 in the appendix.

Combining multiple interviewees and multiple data sources enables triangulation to improve the accuracy of our findings by reducing the risk of bias (Yin, 2010). During the interviews, we asked a set of questions covering two main themes: the limitations and drivers of the isomorphic influences during the accrual accounting implementation process. We asked additional questions to clarify the answers given by the interviewees.

The experts in the interviews may be called epistemic communities (Potter, 2005, p. 278), i.e., the members of the organizations that have the ability and knowledge to influence policymakers (Gomes et al., 2015, p. 273) when existing practices are criticized as not ‘ideal’ (Rose and Miller, 1992, p. 181). Moreover, according to Haas (1992, p. 4), “An epistemic community is a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue”. We considered that such interviewees are in a unique position to provide realistic and personal insights regarding the reasons behind the failures during the implementation process. The interviews were conducted in separate sessions, which lasted approximately 60 minutes, and took place from May 2013 to September 2016.

Table 1: Overview of the interviews

Abbreviation for the interviewee	Organization	Function of the Interviewee	Responsibility of the interviewee	Interview duration (min)
WB_1	World Bank	Lead Specialist	Public Sector Financial Management	54
WB_2	World Bank	Senior Specialist	Public Sector Financial Management	52
WB_3	World Bank	Senior Specialist	Public Sector Financial Management	62
WB_4	World Bank	Specialist	Public Sector Financial Management	50
WB_5	World Bank	Specialist	Public Sector Financial Management	43
F_1	Ministry of Finance	Manager	Public Accounts	102
F_2	Ministry of Finance	Specialist	Public Accounts	34
F_3	Ministry of Finance	Specialist	Public Accounts	37
F_4	Ministry of Finance	Specialist	Public Accounts	51
CA_1	Court of Accounts	Senior Specialist	External Audit	64
CA_2	Court of Accounts	Senior Specialist	External Audit	43
CA_3	Court of Accounts	Manager	External Audit	49
ST_1	Turkish Institute of Management Sciences	Senior Specialist	Public Sector Projects	66
EP_1	NGO	Director	Public Sector Financial Management	37
U_1	University	Associate Professor	Public Sector	42
U_2	University	Associate Professor	Public Sector Financial Management	61
U_3	University	Associate Professor	Public Sector Financial Management	47

3.2.Data Analysis

For the data analysis, we systematically followed the approach suggested by O'Dwyer (2004), including data reduction, data display and data interpretation phases. Nine of the seventeen interviews were tape recorded and transcribed. Eight interviewees declined to be tape recorded, so detailed notes were taken during the interviews. During the data reduction phase, the transcripts and detailed notes were read in a relaxed manner to gain insights into the interview notes. Then, in the second transcript review, with the tape running, we developed emerging themes regarding the transcripts and emphasized the critical themes in order to find emerging patterns. In the data display phase, we drew a mind map for each interview and prepared a code matrix based on the review from the data reduction phase. The code matrix helped us to visualize how many times various codes were suggested by the interviewees (O'Dwyer, 2004) and display the emerging patterns observed in the interviews (Bouten and Hoozée, 2013). During the data interpretation phase, we created the big picture story outline of the interviews and drew findings (O'Dwyer, 2004) that are the basis for the discussion.

4.Discussion

According to article no: 49 in the PFMCL, “the accounting and reporting standards to be implemented by the administrations within the scope of the general government, shall be set forth by the Public Accounting Standards Board to be established with the participation of the representatives of the Court

of Accounts, Ministry of Finance, the Under Secretariat of the State Planning Organization, the Under Secretariat of Treasury and the other related organizations in accordance with the international standards within the organization of the Ministry of Finance”. In this respect, the adoption of IPSAS 17 into the Turkish Governmental Accounting Standards has been very successful, as seen in the comparison Table 2 in the Appendix. According to the table, translated Turkish Governmental Accounting Standards are perfectly in line with IPSAS. As in the definition of IPSAS 17, tangible assets are subject to be used and held for use directly in the production or supply of goods or services and indirectly for safety and environmental reasons. Turkish Governmental Accounting Standards recognize infrastructure assets as they are part of a system or network; they are specialized in nature and do not have alternative uses; they are immovable and subject to constraints in disposal. As in IPSAS 17, the entities may choose either cost model or revaluation model for the measurement after recognition. However, it is expected to make a decision between two of them. There is a guideline in Turkish Governmental Accounting Standards for classification as in IPSAS 17 and the financial statements shall disclose for each class of plant, property and equipment extensively. Despite detailed and very well structured Turkish Governmental Accounting Standards, GMAR and CMAR are lacking several details of IPSAS 17 and so on Turkish Governmental Accounting Standards. Recognition details are not mentioned in the regulation except infrastructure. Valuation of assets, measurement after recognition are not explained in the regulations. Classification of PPE is strictly regulated but there is a very limited prescribed disclosure for each class of plant, property and equipment.

Based on this, our findings indicate that there are limitations to isomorphic influences that are derived from aligning several pertinent difficulties with the change process. The EU accession process has played a major role in the adoption of reforms (Soyaltin, 2017, p.5). However, the successful adoption of any reform is not sufficient for successful implementation. Most legal reforms may remain unimplemented due to several problems related to the political and regulatory context of a country (Harun et al., 2015). Even though the political and regulatory context of a country is not enough to fully explain the shortfalls, it becomes a very important factor influencing isomorphic forces.

Changing political intentions as a limitation

Political will plays a critical mediator role in the adoption decision and more over triggering the implementation of accrual-based rules (Harun et al., 2015; Adhikari and Garseth-Nesbakk, 2016; Soyaltin, 2017). In this sense, the case reveals the lack of political will as a limitation to the isomorphic forces. In the Turkish case, we underline changing intentions of the elites:

“In the very beginning of the adoption decision, everything was clear. But over time, we experienced an ownership problem. They (staff) need a strong voice from the top of the government for the implementation as in the adoption process” (WB_4).

The interviewees mentioned that there is a “*manipulative*” strategic response (Oliver, 1991) to the isomorphic forces especially in level 2. The politics interfere in the processes and restrain the adoption/implementation of rules.:

“Instead of following the requirements ordered by the law, they change the law, and then ‘de facto’ applications become legitimized by passing through the legislature. However in the beginning of the process, the elites were very motivated and outspoken for the implementation of international standards in the scope of a reform” (WB_2).

“In 2004, the transition process to IPSAS started with a great enthusiasm. But according to my observation; the conjecture, the changing atmosphere of the politics seriously affected the implementation process” (F_1).

All these findings mentioned above bring us to one point. The influence of isomorphic forces is highly affected by the political and regulatory context of the country. We reveal that governing elites who decide to adopt IPSAS, may become an obstacle especially in level 2 and also further on in the implementation. These elites’ interference in level 2 can create discrepancies between the law and the regulation. As the root of the problem arises mainly from the gap observed in level 2, there is a threshold in the adoption/implementation of accrual accounting where the solutions to technical and managerial problems do not improve the implementation (Haveri, 2006). Since 2002, the ruling governments have introduced a huge number of reforms improving the legal and regulatory framework in order to modernize the public sector, increase legitimacy, fight against corruption, etc. “However, the ruling government selectively enforced anti-corruption measures in a way that consolidates its power by changing existing institutional structures. In this regard, anti-corruption-related institutional change in the public sector, to a great extent, accommodated corruption, instead of eliminating it” (Soyaltin, 2017, p. 14). Accordingly, when political leaders endorse the implementation and the adoption processes, the potency of the isomorphic forces become stronger, leading to change. “The Turkish experience during the early part of the AKP era clearly demonstrates that favorable domestic political environment dynamics” contribute to a virtuous cycle with positive spillover effects on the ability to perform a constructive reform process (Öniş and Kutlay, 2016). These findings suggest that despite the ambitions in the beginning of the reform process, the developments in the political and

economic areas still suffer from imminent domestic fragilities and play a role as a limitation for further reform processes. We highlight that what has been adopted is not a proxy for what has been implemented. As long as coercive isomorphic forces are primarily relied upon for what has been adopted, change will be limited with regard to reaching the intended outcomes of accrual accounting implementation.

Barriers between the ministries

We highlight the limitations to isomorphism based on communication among various departments, such as the Ministry of Finance, Ministry of Development, Under Secretariat of Treasury and Turkish Court of Accounts, which has been instigated mainly by the political actors such as key political bureaucrats. These limitations were revealed as follows by different interviewees:

“In the beginning of the implementation process, the authority and the responsibility were shared between the Ministry of Finance and Ministry of Development. The coordination failure between the ministries caused the disappearance of the spirit of integrity of Law No: 5018, resulting in several implementation problems, including problems with the accrual accounting implementation. Each ministry saw their authorities and responsibilities as the most important part of the implementation process rather than focusing on the outputs” (P_1).

“None of the ministries want to share their power and authority with others; these limitations are mainly caused by the bureaucrats” (F_2).

Based on the indicated quotations, we can say that there are several actors in the legislative and executive branches of the government who are involved in the implementation process. It is obvious that the implementation process requires intervention aimed at the teams, supervisor-subordinate relationships, subsets of the organizational members and the related organizations as a whole (Poole and Van de Ven, 2004, 77). We acknowledge that the implementation of accrual accounting is a difficult process embedded in politics. However, since the implementation is expected to influence power relations, the interaction between the ministries is prevented mostly by the bureaucrats who have strong political power. Hence the lack of interaction and consensus in the central government becomes a limitation beyond isomorphism with respect to accrual accounting implementation. The implementation of accrual accounting usually faces limitations related to trying to avoid losing existing power in the related ministry and becomes dependent on political power wars, mostly between

bureaucrats. The case reveals that the potential to alter power relations may impede the implementation of accrual accounting processes, which challenges isomorphism (Carpenter and Feroz, 2001).

In addition, this intervention in the relationship among the departments also decreases the influence of isomorphic forces by limiting collective learning, as revealed below:

“We observe that the implementation process speeds up when there is a steering group consisting of different types of people from academia, NGOs, and international accounting professional groups” (WB_3).

“It is especially important for the non-managerial staff to interact with various groups in other central government units because they are used to working within uni-professional groups. When they work in multiprofessional groups, they learn a lot, and they legitimize the implementation process in their minds and focus on the outputs of accrual accounting” (F_1).

Therefore, the interaction around day-to-day practices in the work place provides a strong basis for collective learning regarding accrual accounting and thus change. In other words, the multi-professional groups may legitimize the implementation of accrual-based rules in the minds of practitioners by anchoring a process of discourse through which change is debated and endorsed (Greenwood, Suddaby, Hinings, 2002, p. 59). Professional individuals, people with similar values and beliefs about the purpose and design, help to transmit external ideas into organizations (DiMaggio and Powell, 1983). However, the lack of professional affinity in the process of change causes less relevant results instead of the desired outcomes (Ezzamel et al., 2007)).

Barriers within the ministries

The case suggests there are challenges due to the relationship between the subordinates who execute the accrual accounting implementation and the superiors who make the implementation decision, such as bureaucrats, which limits isomorphism. Since the accrual-based financial statements are considered an important indicator of fiscal transparency (Marti and Kaperskaya, 2015), which is a significant factor in the prevention of corruption, the decision to make the “*de facto*” change is appreciated as long as it contributes to the maintenance of incumbents. The right of subordinates to make decisions is limited by their conformity with the bureaucrats and thus elected politicians, as indicated below:

“Without approval from above, the staff do not even want to share the obtained results with the public” (EP_1).

According to our findings, a subordinate who executes the reporting may often find the implementation of the accrual-based rules very difficult without the direct will and encouragement of superiors, even if it is supported by the regulations and laws. We suggest that many of the limitations are intentionally instigated by creating discrepancies between the law and the actual practice of the law in order to protect the power of incumbents, and thus, the implementation of the rules becomes selective and superficial due to political will. Hence, support of key appointed or elected officials is crucial in the implementation process (Carpenter and Feroz, 2001).

Barriers to the realized absorptive capacity

Unlike in other developing countries, the interviewees reminded us that a lack of technical skills, IT skills, and trained staff are not common problems in the Turkish context, as indicated in the quotations below:

“Building capacity, building infrastructure for a country like Turkey is very easy. There are several trained personnel in the country among the ministries. We are talking about the world's 16th largest economy. They may consult with any consultants that they want. But this is not the case” (WB_4).

“If the problem during the implementation process was a technical problem, it would be very easy to solve the problem. But it is a political problem” (EP_1).

“Shortages in the implementation process are not directly related with a lack of technical infrastructure, lack of training, etc. The problem is mainly based on the lack of political will, political commitment... As long as a decision comes from the top, from the prime minister or the Ministry of Finance, it is not possible to observe any shortages in the implementation process” (CA_1).

In addition to these explanations, the successful adoption of IPSAS into the Turkish Governmental Accounting Standards leads us to address the dynamic capacity pertaining to knowledge creation and utilization, which is conceptualized as “absorptive capacity” (Zahra and George, 2002, p. 185). The case suggests that the Turkish central government is capable enough in terms of potential absorptive capacity, which is about acquiring and assimilating external knowledge. However, problems arise in terms of realized absorptive capacity, which is a function of transformation and exploitation capacities that have been absorbed into the organization processes.

5. Conclusion

In the light of these findings, first we argue that, in the Turkish case, accrual accounting is implemented as a means of increasing legitimacy in the eyes of international bodies. In response to the question asked by Powell (1985), whether or not the institutionalized procedures change the routine procedures of the organizations, our answer falls between yes and no. Can we say that the process of implementation is unsuccessful; no, we cannot say. Our findings point to a threshold in order to further implement the standards. Our findings indicate the importance of political commitment as the trigger and driver of the institutionalization process when the changes are driven externally and coercively. Therefore, we conclude that the institutionalization has a political core and needs political support for the implementation of accrual-based rules in order to move beyond legitimacy to substantive performance. In addition, as long as coercive isomorphic forces are primarily relied upon for what has been adopted, change will be limited with regard to reaching the intended outcomes of the accrual accounting implementation.

Second, we observe normative forces to a lesser degree than coercive forces. However, the implementation of accrual accounting is not simply a technical or practical process but also involves the attention of several groups and requires wider attention. We show that the relations among several groups play an important role in the implementation of accrual-based rules. Since the significance of human behaviors is being downplayed (Fernandez and Raines, 2006) in the Turkish setting, the organizations may be more open to institutional changes by the mediating role of normative influences. Moreover, the adequacy and proficiency of staff may be a country-specific characteristic that is commonly lacking in developing countries. However, as expressed earlier, this potential absorptive capacity needs the commitment of superiors in order to be realized.

Lüder (1992) emphasizes the socio-economic status of accounting information users as a driver for the adoption of governmental accounting change, and higher socio-economic status leads to greater demand for information about revenues and liabilities. In western countries, the constitutional rights of citizens, democratic controls, and checks and balances between the executive and legislative units are well-accepted in the society because of the democratic governance, which is usually absent in developing countries. As Chan (2003: 13) states, “only democratic governments are mandated to open their books, directly to auditors and indirectly to the public through financial reports”.

Based on our findings, we suggest that the crucial driver of the implementation is the building of political consensus and political leadership within the public sector in order to pull the different interest

groups together. Accordingly, the case suggests that institutionalism needs political leadership to communicate and persuade others about the need for change (Fernandez and Rainey, 2006) rather than resistance.

The results of our study have crucial importance for the reforms in the public sector, not only within Turkey, but also for other developing countries especially in the accession process to EU, where the grassroots demands are weak to exert pressure on the ruling elites. Of course, this study is not without limitations, some of which suggest avenues for future research. First, politically-based reasons are not enough to fully understand the challenges beyond isomorphism. We suggest the study of the accrual accounting implementation and adoption process over the long term by including the historical, political and cultural backgrounds of the related country. In addition, further studies may cover the other side of the medallion by focusing on the politicians. It would be worthwhile to show what politicians think about the factors causing limitations for implementation and adoption processes at all hierarchical levels of the public-sector organization in order to uncover problems at different levels.

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7.Appendix

Table 2: Comparison of IPSAS, Turkish IPSAS compliant governmental accounting standards and GMAR

Capital assets		Central Government Accounting Regulation	IPSAS-compliant governmental accounting standards	IPSAS
Definition		(GMAR first adopted in 2005, recent change in 2015)	(adopted in 2010 but not implemented)	
		tangible assets to be used during more than and one reporting period	tangible assets to be used during more than and one reporting period	tangible assets to be used during more than and one reporting period
		directly: future economic benefit or service potential	directly: future economic benefit or service potential and reliable measurement	directly: future economic benefit or service potential and reliable measurement
Recognition		not mentioned	indirectly: safety or environmental reasons	indirectly: safety or environmental reasons
		not mentioned	Military equipment: not mentioned	military equipment: yes
		infrastructure: yes	infrastructure: yes	infrastructure: yes
		not mentioned	heritage assets: optional	heritage assets: optional
Measurement (=valuation)				
First balance sheet		not mentioned	PPE at cost or fair value	PPE at cost or fair value
Current accounting period				
	measurement at			
	* recognition	PPE at cost	PPE at cost	PPE at cost
	measurement after			
	* recognition	not mentioned	cost model or revaluation model	cost model or revaluation model
	measurement subsequent to initial			
	* recognition	not mentioned	Revaluation	benchmark treatment or alternative treatment
	* Depreciation	strictly regulated system of regulation based on the decision of related ministry	system of depreciation	system of depreciation
	* impairment losses		Obligatory	obligatory
	* Derecognition	elimination of assets	elimination of assets	elimination of assets
Classification		strictly regulated	some guidelines	some guideline
Disclosure		limited disclosure	Extensive	extensive

CHAPTER 5 – GENERAL CONCLUSIONS

1. Main Findings

This doctoral thesis presents a detailed picture of the processes regarding the adoption and implementation of accrual-based rules in an emerging country context using original data and applying innovative research methods in the field of public sector accounting research. This dissertation contributes to the existing literature in five broad ways. several findings highlighting the reasons that may affect the adoption and implementation of accrual-based rules.

First, this dissertation advances our understanding of accrual accounting adoption and implementation. This dissertation clearly distinguishes the adoption and the implementation process. Study 2 analyses the formal and material harmonization level. The results highlight that the level of compliance is not only a function of material harmonization level, it is also closely related with the formal harmonization level. The results of the first study present new predictors that increases the level of compliance to accrual based rules.

Second, we extend the research on accrual accounting implementation in the context of emerging countries. Apart from the variables that effect the level of compliance in developed countries, we show that there are several dynamics in the developing counties context. Based on the findings of study 1, the most influential predictors for the level of compliance are newly founded municipalities, implementation of an EU-funded project and external audit. These findings show us important indicators for the adoption and implementation process of the accrual accounting: the predictors for the level of compliance are mainly externally driven factors from outside of the organization.

Third, we show that the intentions of the elites who took the implementation decision may change over time. Our findings suggest that despite the ambitions in the beginning of the reform process, the developments in the political and economic areas may suffer from imminent domestic fragilities and play a role as a limitation for further reform processes. We highlight that what has been adopted is not a proxy for what has been implemented. As long as coercive isomorphic forces are primarily relied upon for what has been adopted, change will be limited with regard to reaching the intended outcomes of accrual accounting implementation. It seems that the changes in the accounting system have been implemented

for the benefit of the Turkish government's image in order to increase legitimacy, especially in the eyes of international bodies. These top-down reforms are inline very well with the political agenda. However, accrual accounting-based rules were implemented nearly ten years ago, more time may be required for local governments to internalize them.

Fourth, we show how the behaviors of the elites affect the behaviors of the subordinates even when the implementation is backed by the law. The implementation of accrual accounting may be neglected because the staff who prepare the annual accounts do not want to disclose items to the public without political endorsement. Furthermore, the gap between the public governance logic and NPM-like thinking seems large to overcome.

2.Implications for practice

Although this manuscript has essentially academic implications, it has interesting points to be considered for practitioners. These points might be useful to improve future initiatives concerning public sector accounting reform. A first point is that there are prominent differences between the level of compliance of municipalities to accrual accounting. Some of the municipalities have more inclination to implementation due to the factors that display. Reformers might consider these differentiation and factors when addressing the municipalities.

A second point is that although the implementation is backed by a law, this does not have direct impact on politicians' behavior. Therefore, the institutionalization has a political core and needs political support for the implementation of accrual-based rules in order to move beyond legitimacy to substantive performance.

As a third point, we observe normative forces to a lesser degree than coercive forces. However, the implementation of accrual accounting is not simply a technical or practical process but also involves the attention of several groups and requires wider attention. The reformers may benefit from the professional bodies especially for the implementation process.

As a fourth point, we strongly suggest a new design for the public-sector audit. The push for independent financial auditing, independent of the Turkish Court of Accounts, is also consistent with the current agenda of international bodies. Including the private sector in the process when the public audit is inadequate may increase the level of compliance.

3.Suggestions for future research

The intended final outcome of modernizing government is to replace the traditional reliance of public administration on rule-based hierarchies with representative democracy. Most of the studies uncover the macro aspects of accrual based accounting especially in the institutional level. However, it is important to dig further: for example, we should investigate to what extent the behaviors of the civil servants are affected by the reforms, what should be done to increase the willingness of politicians for the implementation of reforms.

Further studies to understand the political aspect could be very valuable, for example, we would like to encourage scholars to incorporate political indicators into performance measurement studies. Of course, politically-based reasons are not enough to fully understand the challenges beyond isomorphism. We suggest the study of the accrual accounting implementation and adoption process over the long term by including the historical, political and cultural backgrounds of the related country. Moreover, it is easier to discover “what has been done” rather than “what has been obtained”. The real effect of the reforms or rules in question may be examined in further research.