



Social Construction of Budgeting and New Public Management: An Interpretive Sociology Approach

Nikhil Chandra Shil CGMA, CPFA, FCMA

Assistant Professor
Department of Business Administration
East West University
nikhilacc@yahoo.com

Anup Chowdhury

Professor and Chairperson
Department of Business Administration
East West University
anup@ewubd.edu

Abstract

This paper applies an exploratory framework of qualitative research to understand the implications of budget as an important fiscal mechanism in Bangladesh and assess the requirement of New Public Management (NPM) initiatives as observed in different countries like Australia, New Zealand etc. It highlights the epistemological background to explain the potential of budget proposal based on Finance Bill 2017 and at the same time, identifies the reasons of departure from some important proposals eventually. Using Giddens' structuration theory, the paper adopts netnographical form of research along with observation and some selective interviews to confirm the data. The paper provides some suggestions to improve the efficacy of budget under new public management reform initiatives.

Keywords: Public budget, exploratory research, new public management, Giddens' Structuration Theory, Bangladesh.

Introduction

Henry Kissinger famously dubbed Bangladesh a "basket case" at its glorious birth in 1971 and now the country is hoping to be a developed nation by 2041. The country has already attained its committed goals in UN declarations and proudly keeping its development targets continued. It is in development highway and successfully attracts the attention of global community being a neighbor of two powerful economies, viz., India and China. By many metrics, Bangladesh's development trajectory is a unique success story, especially since the 1990s when democratic rule was reinstated and extensive economic reforms were made. Poverty incidence has fallen from 60 percent to around 30 percent. Gender parity has been achieved in primary and secondary school enrollment. The total fertility rate has fallen from 3.4 to 2.3 (slightly above the "replacement level"), infant and maternal mortality rates have fallen by at least half since 1990, and life expectancy has risen by 10 years to 69 (four years more than in India in 2012). Bangladesh is one of the few developing countries that is on target for achieving most of the Sustainable Development Goals, and is considerably ahead of target on some indicators.

Amid of all these success stories, the paper highlights some areas where the country needs careful attention to keep its economic wheel moving at the right pace. In recent years, public sector globally is experiencing serious reform initiatives under New Public Management (NPM) regime for ensuring more accountability, more transparency and more efficiency. Managing the public sector privately becomes a norm not domination as mentioned in Giddens' Structuration theory. Budgeting is taken as a proxy to Public Sector Activity and Giddens' Structuration Theory is applied to understand the budgeting process and new public management is used as a tool for policy recommendations for the regulators. The research is exploratory in nature which is based on the National Budget that the present government announced for the fiscal year 2017-18. This year's budget is special for lot of reasons, e.g., last budget for current government, biggest budget in size, budget on the eve of election year, budget to be used for partial financing of multiple mega-projects, significant deviations in finance bill and finance act etc. Netnography is used as a data collection method which is confirmed through selective interviews and observations to ensure data triangulation. The paper caters to bring some policy issues for intervention at regulators end under new public management regime and International Public Sector Accounting Standards (IPSAS) requirements.

Public Sector Reform and New Public Management

During the last three decades, different definitions of NPM have been suggested and the term NPM itself has several incarnations such as managerialism (Pollitt, 1993), market-based public administration (Lan & Rosenbloom, 1992) and entrepreneurial government (Osborne & Gaebler, 1992). The term 'New Public Management' is used to describe the changing style of governance and administration in the public sector. NPM had shown a remarkable degree of consensus among the political leadership and opinion makers of various countries like Australia, New Zealand, Canada, the United Kingdom and Austria about the desired nature of change (Maor, 1999). In the UK it was government's modernization agenda and was based on 'New Public Financial Management' (Broadbent and Laughlin, 2005). In the USA the state governments had also enthusiastically embraced the idea of managing for results. It represented a victory of NPM policy ideas transported from New Zealand, The United Kingdom and Australia (Moynihan, 2006). Bangladesh has started with the NPM process from 1990s when Government has undertaken privatization policy to increase efficiency in selective industries that was nationalized on independence of the country.

Aulich et al. (2001) discussed about reforming public sector management. Osborne and Gaebler (1992) differentiated the governmental position between service delivery and policy making, and introduced market mechanisms instead of just service delivery function. Hopwood (1994) pointed out that agencies of the state are being asked to account for their aims, actions and achievements. Now many more of their activities are being seen in quite explicit economic terms and 'value for money' has entered the vocabulary of government (Hopwood, 1994; Harris, 1995). It has been observed that worldwide public sector reform processes have created a wide range of changes in many different areas of service. In Bangladesh, different reform related issues are also proposed by different committees in different times; however, implementations are not made and monitored properly. Giddens' Structuration Theory prevalently explains this as a legitimation process in public sector management which is established norms and any change is not welcomed.

Theoretical Framework for the Study

Over the last two decades it was observed that a series of alternative approaches has been used in qualitative research. One of these approaches is motivated by interpretive sociology (Schutz, 1967). Interpretive perspective epistemologically believes that social meaning is created during interaction and people's interpretations of interactions (Hesse-Biber and Leavy, 2006; Cresswell, 2007; Gaffkin, 2008). Chua (1988) argued that interpretive sociology refers to an intellectual tradition which focuses on the constructive and interpretive action of people. The present study has adopted an interpretive approach and used Giddens' structuration theory to understand how budgeting systems are implicated in social setting. The epistemological and ontological belief also inspired the researchers to adopt Giddens' structuration theory in this study. The following Figure shows Giddens' structuration framework.

Structure	signification	domination	legitimation
Modality	interpretive scheme	facility	norm
Interaction	communication	power	sanction

Figure 1: Structuration framework (Source: Giddens, 1984)

The third line of the above figure refers to the elements of interaction: communication, power and sanction. Second line represents modalities which refer to the mediation of interaction and structure in processes of social reproduction (Giddens, 1984). Here modalities are interpretive scheme, facility and norm. Those on the first line are characterizations of structure, signification, domination and legitimation. Signification refers to the communication of meaning in interaction. It is the cognitive dimension of social life which has interpretative schemes. Interpretive schemes are 'standardized elements of stock of knowledge, applied by actors in the production of interaction' (Giddens, 1984). In the signification structure, agents draw upon interpretative schemes in order to communicate with each other and at the same time reproduce them. In the domination structure the use of power in interaction involves the application of facilities. The facilities are both drawn from an order of domination and at the same time, as they are applied, reproduce that order of domination (Giddens, 1984). The final structure is that of legitimation which involves moral constitution of interaction, and the relevant modality here is the norm of a society or community which draws from a legitimate order,

and yet by that very constitution reconstitute it (Giddens, 1976). These three structures constitute the shared set of values and ideals about what is important and should happen in social settings. Giddens (1976, 1979, and 1984) identified that actors are not simply as social dupes governed by independent structures, but rather as existential beings who reflexively monitor their conduct and make choices in social settings.

Research Method

This research is based on both primary and secondary sources of data. Netnographic documents are the secondary sources whereas observation and interview are the primary sources of data. The paper also uses different research papers and policy documents as other secondary sources of data. Netnography is an online research method originating in ethnography which is applied to understand social interaction in contemporary digital communications contexts. As the paper is based on a societal context, the reflection of society on the budget, netnography is used as a major source of data. To ensure reliability and validity, observation and selective interview methods have been applied as a tool for data triangulation. The researchers were interested to explore people's perceptions and these came out of interviews. The epistemological position also influenced the researchers to conduct interviews because it allows a legitimate or meaningful way to generate data by talking interactively with people, to ask them questions, to listen to them, to gain access to their accounts and articulations, or to analyse their use of language and construction of discourse (Mason, 2002). Direct observation was also used in this study to supplement and corroborate the netnographic documents and interview data. In this study, observation data came from watching via electronic media and attending a number of information sessions organized by major chambers of commerce and industries, professional accounting organizations, economic research organizations and media associations.

Findings and Discussion

This section highlights major findings, related discussions and recommendations based on the findings and discussions.

Public Interest Disclosure

The NPM approach forced public organizations to express the values and preferences of citizens,

communities and societies (Bourgon, 2008). Public Interest disclosure is an innovation in accountability system in the public organization which is used in public interest (Gendron et al., 2001). In budgeting process, Government has an age-old concept of capturing people's perception which is transformed into budget and then disclosures are made publicly. It is a legitimization process and sanctioned at the political level. The signification process based on interpretation is not present as Giddens' proposes. There should be a process that patronizes close communication to understand the social reality and disclosure needs to be such which presumes the outcome of communication process. In a question relating to the reasons of postponing new VAT Act 2012, a professor of economics from a renowned public university said,

It is a clear indication that the Act made fails to capture the social reality. It means that public hearing at the time of making laws is not satisfactory. It becomes a precedence which may be very critical in coming days. Even the Honorable Minister of Finance has already expressed his concern on meeting the revenue target without the implementation of new VAT Act 2012.

This time, the individual taxpayers have expected some lifting in their non-assessable income limit at least. However, no attempt has been observed in this regard rather it is justified that tax bracket for individuals will remain unchanged for couple of years. In this regard, an analyst explains that the poorly planned salary hike for government employees had significant impact on the budget boom. Out of every Tk. 100 paid as taxes, the significant areas of disbursements are Tk. 22 towards paying government salaries, Tk. 9.40 towards retired government employees' pension, Tk. 16.90 towards interest on loan, Tk. 16.90 to aid or grants, Tk. 10 for products and services, Tk. 7.90 for subsidies and incentives, Tk. 5.80 as underdevelopment related investment, Tk. 4.40 for miscellaneous purposes, and Tk. 1.40 for unexpected expenses. A renowned economist proposes that the individual tax rate at second tier can be reduced to 5% from 10% and there may be a new tier for next Tk. 6 lacs on which tax rate may be 10%. An economic think tank proposes minimum tax rate at 7.5% bringing the example of India and Sri Lanka where the rates are 5% and 4% respectively. Individual taxpayers take huge burden to tax liability who wants to know how these monies are spent. Government should bring more dynamism in public interest disclosure issues.

Freedom of Information

In the public sector, citizens are entitled to access all information from the public organization. It is different from the private sector and can be considered as an outward accountability mechanism of the public sector. Bangladesh enacted Right to Information Act 2009 and also developed citizen charter. These are the regulations and the society is not in a position to reap the real benefit out of these. It should be researched about the type of information that people want, timing of such information and the communication process. During the budget period, serious discussions on these issues are echoed but after that it loses relevance. A government official legibly justified:

Either we are not doing our job properly or people are not aware about their right. Thus, it remains in paper.

Tax Ombudsman

The NPM initiatives forced public sector organization to be more accountable to the public. Ombudsman is a process to ensure governance in public affairs. The Constitution of Bangladesh has a provision of establishing the office of Ombudsman; though the Ombudsman Act was enacted to effect the constitutional provision only in 1980 without any office. Government finally took hurried steps to enact the Tax-Ombudsman Act in July 2005. The objective statement of the Tax-Ombudsman Act 2005 states that this is an Act to appoint Tax-Ombudsman with a view to ascertaining bad governance committed by high officials or tax employees engaged in the implementation of tax-related laws and conducting investigations thereon and undertaking preventive or corrective actions relating to those. However, the Act has been repealed in 2010 amid of public concern. In a question to know the reason, the respondent remained silent. The concept of ombudsman is now widely used in the public sector. In the line with NPM, some institutions in the private sector established external complaints mechanisms very similar to those in the public sector. It is important to assess the necessity of tax ombudsman again to ensure more transparency and accountability in government's revenue collection and disbursements process. A renowned economist also proposes to appoint Council of Economic Advisors like USA to implement the governments' projects smoothly and successfully.

Managerialism

Parker and Nethercote (1996) observed that since the 1970s the worldwide changes in the functions and organizations have affected the perceived role of senior government officials. The interesting insight Parker and Nethercote (1996) provided in their study is that these trends manifested in the renaming of officials and their functions from 'administrators' to 'managers' or 'executives' and using the term 'management' in the place of 'administration'. They mentioned that this change in vocabulary reflected a leading theme of governmental change during the 1980s: the drive to introduce private-sector management techniques. Parker and Nethercote (1996) further mentioned that most has been concentrated on changes in organisational structures and practices labelled 'managerialism'. Pollitt (1993) argued managerialism as a set of beliefs and practices which will prove an effective solvent against economic and social ills. Pollit (1993) further observed that managerialism has become a more prominent component in the right-wing government approach towards public services.

Bangladesh Government needs to embrace the concept managerialism to implement the same in public sector which may change the whole scenario dramatically. This philosophy influences the changing character of organisation, management, accounting, auditing and accountability in the public sector. Dixon et al. (1998) explored the meaning of managerialism and identified the challenges and threats. They described the key concepts of Managerialism as:

- o placing emphasis on policy management and implementation;
- o stressing efficiency, effectiveness and quality in the management of public resources;
- o advocating the use of private-sector management practices in the public sector;
- o seeking to diffuse responsibility and to devolve authority;
- o shifting public accountability focus from inputs and processes to outputs and outcomes; and
- o preferring to create, wherever possible, a competitive public management for the public agencies who are providing government services (Dixon et al., 1998).

Commercialization

Wettenhall and Beckett (1992) define commercialization of the public sector as the process of subjecting public activities to the

disciplines of the marketplace which follows businesslike approach. Business approach can be achieved through a more efficient allocation of resources, increased management devolution, improved accountability, more exposure to market forces, and the marketing and delivery of services in a businesslike manner (Dunning, 1993). Brown et al. (2000) argued that commercialization may be concerned both with delivering services on a commercial basis to increase efficiency through competitive mechanisms and with reorienting budgetary processes and fund regimes to a more commercial focus to achieve cost savings. They (2000) further argued that it is a compromise between a traditional style of public administration and marketisation in the form of privatization, contracting-out and contestability. Kelaher (1991) also felt that contracting out government services to the private sector is one way of commercializing the public sector. If it is managed carefully by the public sector managers, contracting out can be one way of reducing costs and improving productivity. Time has come to evaluate the efficacy of tax officials in performing their jobs. In Bangladesh, people go to Government offices; they don't come to public to collect taxes. This may be a reason of narrow tax net which needs careful attention. In response to a question, a tax expert said,

There was a proposal to outsource tax revenue collection process by other than NBR which was rejected outright without any valid ground. However, there was a chance that the functions may be outsourced and government office may remain busy to identify new tax payers. It would have multiplicity in impact, however, it has not been agreed upon.

Corporatization

Hughes (1998) mentioned that corporatization is a program of change to the management and structure of public enterprises, by which the public enterprises are more like private firms in all aspects except ownership. From around 1980s onwards in the OECD countries a large number of government enterprises were converted into various forms of company (Zuna, 2001). The characteristics of these companies were public in a sense that they were either part or owned by the state and second they perform the commercial activities. Zuna (2001) also observed that the primary motive of corporatization was to improve the efficiency. Wettenhall and Beckett (1992) also mentioned that it had specific organisational connotations: it involved passing activities to

bodies which satisfied tests of corporate status. Corporatization strengthens the tie of authority and responsibility through the establishment of key performance indicators and an appraisal of the same. In absence of that, there actually remains nothing to evaluate the performance. In a question regarding the application of tax money, a tax payer mentioned,

We pay taxes as we fall in the structure. If we are made independent, most of the tax payers may not agree to pay tax. Money raised through tax spend for payment of salary, interest on loan, generate capital of public banks burdened with default loans all of which are undesirable from our perspectives.

Operation Sunlight

'Operation Sunlight' is the new reform agenda of the new Labor government in Australia elected in 2007. It is an agenda to promote good governance practices and to improve budget transparency. It is derived from a critical examination of the existing outcomes and outputs framework. The then Senator Andrew Murray prepared the report containing the review of budget transparency issues. In December 2008 the Federal government released the document with the government's response. The report contained 45 recommendations. The then Minister for Finance and Deregulation, Lindsay Tanner, said: "The Government has considered Andrew Murray's recommendations, the vast majority of which we are either taking up in their entirety or incorporating the underlying themes into other initiatives" (Tanner, 2008). Some of the recommendations which are now incorporated under Operation Sunlight include:

- o The Government will require agencies to report expenditure and non financial information at the program level in their portfolio Budget Statements from the 2009-10 Budget.
- o Further transparency on the use of Special Accounts will be provided through the inclusion of a register and the provision of financial estimates in Budget Paper 4 from the 2009-10 Budget. This will complement the end of financial year audited financial information that is already reported to Parliament.
- o The current practice of providing funding for depreciation will be phased out from the 2009-10 Budget.
- o Agencies will implement newly devised or

revised outcome statements for the 2009-10 Budget to provide more meaningful descriptions of the outcomes that are to be achieved from Government programs (Tanner, 2008).

Bangladesh may take measures like operation sunlight to improve accountability and transparency framework. Some of the reform initiatives for immediate implementation may be identified below:

- o Putting more priority on output and outcome. Implementing budget based on input only lacks target.
- o Program budgeting may be implemented.
- o There should be a process of capturing social reality which should be transcribed in budget.
- o Public services may be privatized selectively to bring competition which will ultimately lead to corporatization, commercialization and managerialism.
- o Independent but strong bodies can be formed with participation from relevant stakeholder groups to ensure effective monitoring of public affairs.
- o Time has already come to absorb accrual basis in government accounting under IPSAS as most of the developed countries have already embedded such mechanism and more countries are coming. Accrual basis of accounting favors mercantile system to manage the financial affairs of public organizations like private.

Conclusion

Finance Bill 2017 and its eventual transformation into Finance Act 2017 bring a big issue regarding the budget process as observed in Bangladesh. Bangladesh is also lacking in implementing new public management concept. From budget preparation to implementation process, careful attention should be given so that the expected target could be achieved. Traditional process of domination doesn't work. Rather the signification process should be undertaken through interpretative approach so that the social reality can be properly captured and communicated. Only then the society becomes the recipient of real benefit. 

References

- Aulich, C., J. Halligan and S. Nutley, 2001. Public sector management. In Aulich, C., Halligan, J. and Nutley, S. (Eds.), Australian handbook of public sector management. NSW: Allen & Unwin. pp: 11-19.
- Bourgon, J. (2008), 'The Future of Public Service: A Search for a New Balance', Australian Journal of Public Administration, Vol. 67, pp. 390-404.
- Broadbent, J. and Laughlin, R. (2005), 'The Role of PFI in the UK Government's Modernisation Agenda', Financial Accountability and Management, Vol. 21, Issue 1, pp. 75-97.
- Brown, K., Ryan, N. and Parker, R. (2000), 'New modes of service delivery in the public Sector: Commercialising government services', The International Journal of Public Sector Management, Vol. 13, No. 3, pp. 206-221.
- Chua, W.F. (1988), 'Interpretive Sociology and Management Accounting Research - A Critical Review', Accounting, Auditing and Accountability Journal, Vol. 1, Issue 2, pp. 59- 79.
- Cresswell, J.W. (2007), Qualitative Inquiry & Research Design: Choosing Among Five Approaches, Sage Publications, Thousand Oaks, California.
- Dixon, J., Kouzmin, A and Korac-Kakabedse, N. (1998), 'Managerialism-something old, something borrowed, little new: Economic prescription versus effective organizational change in public agencies', International Journal of Public Sector Management, Vol. 11, No. 2/3, pp. 164-187.
- Dunning, R. (1993), 'Lessons from recent experience-state', in Guthrie, J. ed., The Australian Public Sector: Pathways to Changes in the 1990s, IIR Conferences Pty Ltd., NSW, p. 26-30
- Gaffkin, M. (2008), 'Accounting Theory: Research, regulation and accounting practice', Pearson Education, Frenchs Forest, NSW.
- Gendron, Y., Cooper, D. J., and Townley, B. (2001), 'In the name of accountability: State auditing, independence and new public management', Accounting, Auditing and Accountability Journal, Vol. 14, No. 3, pp. 278-310.
- Giddens, A. (1976), New Rules of Sociological Method: A Positive Critique of Interpretative Sociologies, Basic Books, Inc., New York.
- Giddens, A. (1979), Central Problems in Social Theory, The Macmillan Press Ltd., London.
- Giddens, A. (1984), The Constitution of Society: outline of the theory of structuration, University of California Press, Berkeley.
- Harris, T., 1995. Critical issues in public sector auditing. In Guthrie, J. (Ed), Making the Australian public sector count in the 1990s. NSW: IIR Conferences Pty Ltd. pp: 140-143.
- Hesse-Biber, S. N. and Leavy, P. (2006), The Practice of Qualitative Research, Sage Publications, London.
- Hopwood, A.G., 1994. Accounting and the pursuit of efficiency. In McKeivitt, D. and Lawton, A. (Eds.) Public sector management: Theory, critique and practice. The Open University and Sage Publications. pp: 145-159.
- Hughes, O. E. (1998), Australian Politics, Macmillan Education Australia Pty Ltd. Independent Committee of Inquiry into a National Competition Policy, (1993), Report by the Independent Committee of Inquiry (Hilmer Report). Canberra, Australian Capital Territory
- Kelaher, M. (1991), 'Commercialising the public sector', Australian Accountant, Mar, 61, 2, pp. 36-39.
- Lan, Z. and Rosenbloom, D. H. 1992. Editorial: public administration in transition? Public Administration Review, 52(6): 535-537.
- Maor, M. (1999), 'The Paradox of Managerialism', Public Administration Review, Vol. 59, No. 1, Jan.-Feb., pp. 5-18.
- Mason, J. (2002), Qualitative Researching, Sage Publications Ltd., London.
- Moynihan, D.P. (2006), 'Managing for Results in State Government: Evaluating a Decade of Reform', Public Administration and Review, Vol. 66, Issue 1, pp. 77-80.
- Osborne, D. and Gaebler, T. 1992. Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector: Reading MA: Addison Wesley.
- Parker, R. S. and Nethercote, JR. (1996), 'The Administrative Vocation in the 1990s', in Halligan, J., (ed), Public Administration Under Scrutiny: Essays in Honour of Roger Wettenhall, Centre for Research in Public Sector Management, University of Canberra and Institute of Public Administration, Australia, pp. 97- 124.
- Pollitt, C. (Ed.). 1993. Managerialism and the Public Services: The Anglo-American Experience (2nd ed.). Blackwell, Oxford.
- Schutz, A. (1967), Collected Papers, Monton.
- Tanner, L. (2008), Review of Operation Sunlight - Overhauling Budgetary Transparency, December, Canberra.
- Wettenhall, R. and Beckett, I. (1992) 'Movement in the Public Enterprise and Statutory Authority Sector', in Halligan, J. and Wettenhall, R. (eds.) Hawke's Third Government: Australian Commonwealth Administration, 1987-1990, Faculty of Management, University of Canberra, and the Royal Institute of Public Administration Australia (ACT Division), pp. 181-251.