

A Small Step Taken to Ensure Proper and Systematic Accounting Application Has Ensured Highest Revenue Earning in Tripura: A Critical Accounting Analysis of PIRSA System

Dr. Bankim Debbarma

Assistant Professor, Maharaja Bir Bikram College

Abstract:

Proper accounting application is an important and significant key element for every financial transaction of any organization especially in the public sector organization of the country. A systematic accounting application can ensure proper fund management and transparency in financial transactions which not only provides positive impact on financial management but also decreases the propensity and possibility of leakages in the system. A sound accounting and record keeping process ensures accountability and provides the scope and opportunities to fulfil the objectives of finance. The PIRSA - an accounting system for non-Government and non-Treasury fund management of different departments and wings of the Government of Tripura is fulfilling all the objectives of the government along with maximum revenue earnings from the last eleven (11) years.

Keywords: Accounting, Finance, Management, Transparency, Leakages, Accountability

Introduction:

Budget allotted funds of the Government are generally transferred through banking transactions which are transferred either through the process of Government Treasury functions or out of Government Treasury functions. The Government funds which are transferred through the process of treasury function is generally called 'Treasury fund' and the funds which are transferred through banking operation only but out of treasury function are called 'non-Treasury fund'. A part of Government funds has moved through the non-treasury function as per the policy and decision of the Government with an objective of easy and immediate fund transfer to the target group of the State. The funds which are received by the Government organizations from its different sources other than the yearly budget and disbursed out of the Government Treasury functions is called 'non-Government fund'. The non-Government & non-Treasury fund is also an important part of the overall financial functions of the State.

Generally, Treasury fund is transferred after following specific guidelines of the Government, whereas the non-Government & non-Treasury fund is transferred after following scattered and unspecific guidelines of different departments of the Government. Without any specific and uniform guidelines for all the departments of the Government the books of accounts and records of the non-Government & non-Treasury funds are not properly maintained. The books of accounts and records which are maintained

without any specific guidelines are not able to fulfil the basic purpose & objectives of finance which creates a gap in between accounts of the fund and accountability in fund management. As a result not only transparency and accountability in financial transactions but also TVM¹ is not being possible to be ensured, where possibilities of leakages are still existing at every stage of the transaction.

Proper and systematic financial transactions in all the sectors and sub-sectors of the Government are very important and significant as the Government is the prime stakeholder of the State's economy and its financial system. But most of the departments or organizations are not in a position to confirm that the proper management of its non-Government & non-Treasury funds has been assured till date. The problems & limitations of the then previously followed accounting system affected the financial and accounting performance of different departments of the Government including the FCS&CA² Department, DHE³ and TTAADC⁴.

In the above context, internal restructuring of the traditional accounting system for managing non-Government & non-Treasury funds has been initiated, and an accounting principle based books of accounts maintenance system namely PIRSA⁵ has been implemented in all the above mentioned departments. The results and outcomes of the PIRSA System in those departments of the Government are remarkable and more than expectations for a small economy state like Tripura.

Review of Literature:

Accounting record keeping is essential for business and financial decision making which helps to improve business efficiency and productivity for effective business performance and also increases the chances of the business operating and achieving success, and provides information to enable the control of funds (Abdul-Rahamon & Adejare, 2014). Accounting is just one of many “business” functions in the public-sector-as-a-system, and accounting and accounting records ensure that the management have the financial information that they require to fulfil their responsibilities effectively (Jovanović, 2015). The development and role-played by AIS⁶ enhanced the organisations’ accounting functions which contribute to the profession’s value added to organisations and add information value. Automated AIS speeds up the process to generate financial statements and overcomes human weaknesses in data processing (Sori, 2009). The accounting systems are adapting to the new demands of public governance, which might be seen in the standardization of accounting aiming at transparency, credibility and accountability. Public accounting may perform a relevant political and social work, from the moment in which updated demonstratives will be elaborated, which would disclose with quality, efficacy, efficiency and economy the public expenditures in favour of society. (Ribeiro, Pereira, & Benedicto, 2013). The introduction and the development of iBAS⁷ has improved both the managerial process of PSA⁸ and public accountability. iBAS has speeded up accounting activities among the different public accounting administrations and levels. At the same time by helping CGA⁹ to disclose information publicly, iBAS

¹Time Value of Money

²Food, Civil Supplies & Consumer Affairs

³Department of Higher Education

⁴Tripura Tribal Areas Autonomous District Council

⁵Process for Internal Restructuring of System of Accounting- A non-Government and non-Treasury fund management system of the various departments of the Government of Tripura;

⁶Accounting Information System

⁷Integrated Budget and Accounting System

⁸Public Sector Accounting

⁹Controller General of Accounts

has strengthened the attempt of ensuring public accountability (Rajib & Hoque, 2016). The application of the IPSAS¹⁰ that, the implementation of accrual accounting has a beneficial effect on efficiency, effectiveness and accountability. It had positive impact through enhanced efficiency, effectiveness, accountability and allowed for better costing of programmes and services provided by government (Patrick, Danladi, Caleb, & Linda, 2017). But, it is found that some common challenges are faced by nations in South Asia in the adoption of IPSAS standards such as lack of experienced staff, inadequate change management structures, failure by the governments to institute professional committees to oversee the reforms, and inconsistencies in the adoption process by the individual public entities (Wang & Miraj, 2018). Accounting reforms, and its internal and external financial control systems give an impulse to all managerial fields - strategic management, human resources management, management by objectives, etc. Efficient feedback will make it possible to relate past experience to strategic and operating development in the future (Tikk & Almann, 2011).

The accounting system up-gradation and its proper management process can ensure transparency and accountability in overall management with the facility of the highest revenue earning for the Government.

Objectives of the Study:

This study is focused on the discussion of following accounting practice and application in the public sector organization and results from proper fund management specially non-Government & non-Treasury funds by ensuring proper and systematic accounting application in the different departments of the Government of Tripura.

The basic objectives of the study are as follows:

1. To know about the necessity and importance of accounting system up-gradation in the process of non-Government & non-Treasury fund management in the different departments of the Government of Tripura;
2. To point out the results & outcomes from overall non-Government & non-Treasury fund management under the PIRSA System; and
3. To critically analyze the possible contribution of PIRSA System to the yearly budget of Tripura;

Methodology:

The Primary Data and Secondary Data are the bases of this study. The primary data which are in form of numerical data is collected by conducting spot visits to different departments of the Government of Tripura and meeting with the concerned authority of the departments namely FCS&CA Department, DHE and TTAADC of the State during the month from April, 2023 to September, 2023. Further, secondary data are collected from books of accounts and records of different departments, books, journals, articles, periodicals, newspapers etc.

In the process of analysis of collected primary data, different measures of central tendencies and dispersions have been applied to explore the inherent characteristics of the data collected from the field of enquiry. Moreover, some of the tables, popular graphs and charts are also used as and when necessary.

¹⁰International Public Sector Accounting Standard

Discussion and Results:

The Process for Internal Restructuring of System of Accounting or PIRSA is an accounting principle-based books of accounts maintenance system which ensures proper fund management with more transparency and accountability. About the reason behind the necessity and requirement of the accounting system up-gradation and PIRSA System implementation, it can be said that the then followed accounting process is not fulfilling the basic objectives of accounting. Accounting has never been given such a priority and equal importance as much as other departmental works. Further, the flexibility and changes in record keeping processes is directly and indirectly impacted on the continuation of accounting and its authentication. As a result, neither the basic principles of accounting are followed in the process of preparation of accounts nor books of accounts are properly maintained. In absence of proper and systematic accounting application and negligence of accounting creates a gap in between proper management of funds and accounting. As a result, some of the departments are facing acute shortage of fund where in some departments are maintaining idle parking of fund. The departments are not in a position to maintain the TVM of the idle parking of fund where the State are facing acute shortage of fund for yearly budget and budgeted expenditure and bound to take excessive borrowings from the market.

The other reasons behind the accounting system up-gradation and PIRSA System implementation and its results and outcomes in the different departments/ wings of the State Government of Tripura are briefly discussed as below:

Food, Civil Supplies & Consumer Affairs (FCS&CA) Department:

The FCS&CA Department, a quasi-commercial oriented organisation of the Government has initiated an accounting system up-gradation from April, 2012 for its PDS¹¹ Fund. The PDS fund which is non-Treasury related fund of the department has been tried to maintain by the process of internal restructuring of system of accounting of the department to manage & mitigate all the limitations and drawbacks of the then followed accounting system and achieve the benefits of systematic accounting application.

It is pertinent to mention here that before accounting system up-gradation, the FCS&CA Department was suffering from serious shortage of working capital for PDS operations where the average monthly requirement of fund for purchase and procurement of food grains for PDS operation was more than ₹45 crores whereas total available fund was ₹32.45 crores (approx.) only. Due to shortages of PDS funds, the department was not in a position to maintain a buffer stock of food grains and other essential commodities (at least for 03 months) up to 2011-12 FY for any unfavorable natural condition in the State. Further, in the process of accounting system up-gradation the CA Firm's Audited Report (from 2008-09 FY to 2010-11 FY) was also reviewed, and an amount of ₹5.27 crores (approx.) was found un-accounted for and un-credited into the account of the FCS&CA Department. These amounts were so deposited as the cost of food grains into the Bank accounts of DOIAs¹² by FPS¹³ dealers and shown as 'Debit' and remitted/ transferred from the concern Bank accounts of DOIAs. But these remitted amount were not credited in the Bank account of DFCS&CA¹⁴ and not accounted in the Books of Accounts of

¹¹Public Distribution System

¹²Delivery Order Issuing Authorities

¹³Fair Price Shop

¹⁴Director of the Food, Civil Supplies & Consumer Affairs

the Head Office or Directorate of the department. The growth & development of fund position of the FCS&CA Department after the accounting system up-gradation is highlighted in Table-01 below;

Table-01: Fund Position of the FCS & CA Department, Tripura for the Financial Year from 2011-12 to 2020-21 (₹ in crore)

Financial Year	Opening Balance of DFCS&CA A/c (₹)	Opening Balance of DOIAs A/c (₹)	Cost of Food Grains Deposited in DOIAs A/c (₹)	Amount Transfer to DFCS&CA (₹)	Closing Balance of DOIA A/c (₹)	Amount Available in DFCS&CA A/c (₹)	Yearly Purchases of Food Grains (₹)	Amount of Non-Tax Revenue Earned (₹)	Closing Balance of DFCS&CA A/c (₹)
1	2	3	4	5	6=3+4+5	7=2+5	8	9	10=7-8+9
2011-12	32.45	10.26	279.66	285.17	4.75	317.62	261.26	0.28	56.66
2012-13	56.66	4.75	237.05	240.39	1.41	297.05	149.43	8.18	139.44
2013-14	139.44	1.41	263.96	265.70	0.00	405.14	261.41	13.70	157.43
2014-15	157.43	0.00	303.50	303.50	0.00	460.93	303.82	11.88	168.98
2015-16	168.98	0.00	348.82	348.82	0.00	517.80	310.99	13.85	220.66
2016-17	220.66	0.00	238.92	238.92	0.00	459.58	227.32	15.21	247.46
2017-18	247.46	0.00	270.78	270.78	0.00	518.24	221.86	19.01	315.39
2018-19	315.39	0.00	250.56	250.56	0.00	565.95	224.59	21.93	363.29
2019-20	363.29	0.00	336.34	336.34	0.00	699.63	293.80	25.16	430.99
2020-21	430.99	0.00	308.66	308.66	0.00	739.65	344.30	28.10	423.45
2021-22	423.45	0.00	343.50	343.50	0.00	766.95	350.64	19.57	435.88
2022-23	435.88	0.00	337.71	337.71	0.00	773.59	340.18	14.38	447.79
TOTAL	---	---	3239.80	3244.88	---	6204.51	3028.34	190.97	---

Source: FCS & CA Department, Government of Tripura

Today, the fund position of the FCS&CA Department is more than ₹447.79 crores as on 31st March, 2023 which was ₹32.45 crores in April, 2011 out of which ₹191.98 crores (approx.) is non-tax revenue which has been earned by the department till March, 2023. Out of total revenue of ₹191.98 crores, the amount of ₹190.97 crores is earned after the accounting system up-gradation and implementation from April, 2012 whereas only ₹1.01 crores was earned up to 2011-12 FY after the introduction of quasi-commercial functions through the opening of Cash Credit and Revolving Fund accounts from 1994-95 FY. During 2020-21 FY the department has earned ₹28.10 crores non-Tax revenue from a proper accounting and fund management system. In the last of 2020-21 FY the department transferred an amount of ₹250 crores into the higher rate fixed deposit account for more strengthening the position of

funds of the department. As a result, the revenue earning of the department in 2021-22 FY and 2022-23 FY is decreased in compare to the last preceding previous years, but after a couple of years it would be remarkably increased with higher interest amount by the maturity of fixed deposit. At present, the FCS&CA Department is only a department who earns the highest and maximum revenue by means of ‘Bank Interest’ from non-Treasury related fund management among all the departments of the Government of Tripura.

Department of Higher Education (DHE):

The PIRSA System has been implemented in the DHE w.e.f 1st January, 2020 for proper management of available non-Government & non-Treasury funds in all the 39 (thirty-nine) Colleges and Institutions under the department. PIRSA System is implemented for ensuring uniform accounting application in all the colleges and institutions under the DHE along with other accounting and financial objectives. Before PIRSA System implementation the earnings of non-tax revenue from the total average non-Government fund of ₹11.92 crores of the Department were ₹11 lakh to ₹12 lakh per annum. But after implementing the PIRSA System, the DHE has earned higher non-tax revenue which are utilizing institutional development purpose by ensuring more transparency and accountability in overall fund management. The growth of revenue position of the DHE is highlighted in Table-02 below;

Table-02: Fund Position of the Department of Higher Education, Government of Tripura from 2019-20 to 2022-23 FY (₹ in lakhs)

Particulars	GDCs and Date of PIRSA Implementation: 01/04/2020	TIs and Date of PIRSA Implementation: 01/06/2020	PCs and Date of PIRSA Implementation: 01/07/2020	Libraries and Date of PIRSA Implementation: 01/07/2020	TOTAL
Fund as on 31/03/2020	550.08	490.05	23.10	63.64	1126.87
Yearly Revenue Earning	6.42	6.35	0.18	---	12.95
Average Fund Position & Revenue Earning from the PIRSA System of DHE, Tripura					
Particulars	GDCs	TIs	PCs	PCs	TOTAL
Fund as on 31/03/2021	701.88	643.45	26.91	332.92	1705.16
2020-21	32.12	24.25	0.87	2.22	59.46
2021-22	33.40	29.95	1.24	14.12	78.71
2022-23	33.02	29.26	1.64	16.69	80.61
TOTAL	98.54	83.46	3.75	33.03	218.78

Source: Department of Higher Education, Government of Tripura

Tripura Tribal Areas Autonomous District Council (TTAADC):

With the objectives of proper and uniform accounting application by upgrading books of accounts and records maintenance system for ensuring more transparency and accountability in financial transactions with proper fund control and management of available Government non-Treasury funds of the council, PIRSA System is implemented in the TTAADC w.e.f. 1st April, 2022. By this system, multiple types, heads and sources of funds are not only maintained in distinct and separately but also ensure the TVM up to its final utilization and disbursement without interrupting the normal regular financial activities of the council and its entire administration of the council. By implementation of the system uniform accounting application, automatic and systematic cross-checking and reconciliation of the proper books of accounts and records has been ensured in all the departments/ wings under the council. More transparency and accountability in every financial transaction of the council has been ensured with updated financial position of all the wings of the council has been ensured by monthly reporting system through online and hard copy. The council has earned total revenue of ₹10.83 crores within one year (2022-23 FY) from the system which is higher in compare to the total revenue earned from 1985 i.e. last 37 years of ₹7.50 crores.

Basically, the activities and functions, and the processes of financial transactions differ from department to department. Accordingly, the internal restructuring of accounting under PIRSA System will be different in terms of functions and activities of the department for fulfilling its basic requirements and objectives for ensuring proper fund management and accounting. The accounting up-gradation process has ensured systematic accounting and automatic reconciliation of accounts along with proper records keeping process which mitigates the gap in between the fund and its management and gives better results from overall fund management. It is a significant step by these departments for strengthening the accounting system and proper fund management for getting positive support to fulfil shortages of funds as much as possible and for minimising deficits of funds for the State.

The yearly revenue generation from PIRSA System by means of ‘Interest’ or ‘Bank Interest’ is an important component of the non-tax revenue of the budget. A comparative statement of yearly interest earned by all the departments of the Government of Tripura excluding FCS&CA, DHE and TTAADC (A), FCS&CA Department (F), DHE (D) and TTAADC (T) is prepared in Table-03 below; where the number of years = *N* is taken into account from the year of PIRSA System implementation to last financial year i.e.2022-23; *i* = Yearly growth rate of interest earned in compare to last year, and Base Year = ‘0’ are used for calculation.

Table-03: Comparative Statement of Interest Earned (Non-Tax Revenue) by the different Departments of the Government of Tripura (₹ in crores)

FY	All Depts. (Excluding FCS&CA, DHE and TTAADC) (₹ in crores)	Yearly Average Growth Rate in Compare to Last Year (%)	FCS & CA Dept. (₹ in crores)	Yearly Average Growth Rate in Compare to Last Year (%)	DHE (₹)	Yearly Average Growth Rate in Compare to Last Year (%)	TTAADC (₹ in crores)	Yearly Average Growth Rate in Compare to Last Year (%)
<i>N</i>	<i>A</i>	<i>A_i</i> =	<i>F</i>	<i>F_i</i> =	<i>D</i>	<i>D_i</i> =	<i>T</i>	<i>T_i</i> =

		$(A_0 - A_1) / A_0$		$(F_0 - F_1) / F_0$		$(D_0 - D_1) / D_0$		$(T_0 - T_1) / T_0$
2011-12	(30.00)	(Base Year)	(1.01)	(Base Year)				
2012-13	35.00	+ 16.67%	8.18	+709.91%	-	-		
2013-14	80.00	+128.57%	13.70	+ 67.00%	-	-		
2014-15	84.00	+ 5.00%	11.88	- 13.28%	-	-		
2015-16	85.00	+1.19%	13.85	+ 16.58%	-	-		
2016-17	62.00	-27.05%	15.21	+ 09.82%	-	-		
2017-18	63.36	+ 2.19%	19.01	+ 24.98%	-	-		
2018-19	70.00	+ 10.48%	21.93	+ 15.36%	-	-		
2019-20	22.00	- 68.57%	25.16	+ 14.73%	(0.1295)	(Base Year)		
2020-21	24.00	+9.09	28.10	+ 11.69%	0.5996	+363.01%		
2021-22	45.00	+87.50%	19.57	-30.36%	0.7871	+31.27%	(7.50)	(Base Year)
2022-23	25.68	-45.93%	14.38	-26.52%	0.8061	+2.41%	10.83	+44.40%
$\sum N = 11$	$\sum A = 596.04$	$\sum A_i = +119.14\%$	$\sum F = 190.97$	$\sum F_i = +799.91$	$\sum D = 2.1928$	$\sum D_i = +396.69\%$	$\sum T = 10.83$	$\sum T_i = 44.40\%$
$\bar{x} = \sum / N$	54.19	+10.83%	17.36	+72.72%	0.73	+132.23%	10.83	+44.40%

Source: Author's Analysis as per data from the Budget of Finance Department, Govt. of Tripura, FCS&CA Department, Department of Higher Education and TTAADC

It may be mentioned here that the PIRSA System was implemented by the author of this paper when he was working in those departments as an AO¹⁵ at FCS&CA Department, and OSD (Finance)¹⁶ at DHE and TTAADC in addition to his ongoing academic service.

Findings & Suggestions:

The financial burden of the State is increasing every year due to increases in market borrowing along with increases in yearly budget. Maximum amount of market borrowings is utilized for capital

¹⁵Accounts Officer

¹⁶Officer on Special Duty (Finance)

expenditures without ensuring maximum revenue generation as per its estimation and borrowings. In another study on budget and finance it is come to know that the State is collecting excessive and unjustified market borrowings and loans also in the years from 2018-19 FY to 2021-22 FY when the State's total budget estimates are decreased to actual budget of (-) ₹9,795.65 crores, then the reason behind the market borrowing of ₹7,814.87 crores in that period is totally unjustified. It is also found that the fiscal and primary deficit in the actual budget is also less than the total actual market borrowing and loan for that particular period. In such a financial condition of the State, as a primary initiative, the Government must focus on the implementation of the PIRSA System in all the probable departments/wings of the Government of Tripura including the Corporations and PSUs¹⁷ for maximum non-tax revenue earning for leveraging the cost of debt of the State. By implementing this system, it will not only ensure accountability in every financial transaction but also ensure transparency and smooth financial activities along with a guarantee of TVM, earning maximum and highest non-tax revenue for the Government of Tripura for better future development.

Conclusion:

The function and activities of public sector organizations are very important and significant for the development of any state. All kinds of financial activities of any organization can only be ensured by a proper accounting process. It is quite evident that a systematic and effective record keeping system is an unconditional base for searching for the scope and opportunities for development. It can provide positive support for taking necessary steps in financial management towards achieving ultimate financial goals. The success and achievements of PIRSA System experienced in the FCS&CA Department, DHE and initial achievement of TTAADC would be far reaching and provide a ray of hope for proper fund management in the deficit financial condition and excessive debt financing of the State. Because, the PIRSA System would not only generate revenue but would also build a mechanism for strong, empowered and progressive administration of the State including proper fund management.

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