



The Dynamics of Public Accounting Reform from the Perspective of the Lüde Contingency Model

Eri Yunaidi¹

¹ Universitas Diponegoro, Semarang, Indonesia

Abstract

Article history:

Received: July 15, 2022

Revised: August 23, 2022

Accepted: October 17, 2022

Published: December 30, 2022

Keywords:

Accountability,
Accrual Accounting,
Good Governance,
Lüder's Contingency Model,
Public Sector Reform.

Identifier:

Zera Open

Page: 171-189

<https://zeraopen.com/journal/ijgam>

Public sector accounting reform is a fundamental component in efforts to realize transparent and accountable governance. This study aims to analyze the dynamics of the implementation of public accounting reform from the perspective of Lüder's Contingency Model and its relationship to the New Public Management paradigm. The research approach uses a descriptive qualitative method based on a literature review of several scientific sources indexed by Google Scholar in the last five years. The results of the study indicate that the success of public accounting reform is highly dependent on the alignment between environmental pressures, political support, the social structure of users, and institutional capacity. The findings also confirm that an accrual-based accounting system can strengthen accountability and transparency, but its effectiveness requires the support of human resource capacity, political commitment, and an adaptive organizational culture. Reforms that are technically and institutionally integrated have proven to be more sustainable than those that are symbolic. This study provides a conceptual contribution to understanding the relationship between accounting innovation and good governance and serves as an important reference in formulating future public accounting reform policies.



1. Introduction

The paradigm shift in modern governance requires the public sector to adopt the principles of accountability, transparency, and efficiency as emphasized in the New Public Management (NPM) approach. Public sector accounting reform is becoming an important part of the global effort towards results-oriented and efficient governance, replacing traditional, rigid, and bureaucratic administrative systems (Mnif & Gafsi, 2020). The primary objective of this reform is to establish a financial reporting system that provides accurate, relevant, and usable information for public decision-making (Christensen & Rocher, 2021).

The transformation towards an accrual accounting system is a strategic step in strengthening public financial accountability. On an accrual basis, financial statements not only describe cash flows but also reflect the government's real economic position (Phuong-Nguyen et al., 2020). However, the implementation of public accounting reform is inseparable from complex challenges, including bureaucratic resistance, limited human resource capacity, and inconsistent political support (Haron et al., 2021). Therefore, understanding the contingency factors that affect the success of reform is important.

In this context, Lüder's Contingency Model provides a comprehensive theoretical framework for explaining why accounting reforms in the public sector have been successful in some countries but unsuccessful in others. This model highlights the role of external factors such as environmental pressures, user social systems, as well as political-administrative structures that determine the successful implementation of public accounting innovations (Caperchione et al., 2019). The

contingency approach emphasizes that there is no one-size-fits-all system; success depends on the compatibility between internal and external factors of public organizations (Abdulkarim et al., 2020).

In addition, the implementation of accrual-based accounting is also expected to improve good governance. The principles of transparency and accountability resulting from a more open reporting system are able to strengthen public trust in government agencies (Tran et al., 2021). When public financial reports are accessible and understood by the public, it creates an effective social oversight mechanism and fosters institutional integrity (Brito & Jorge, 2021). Therefore, public accounting reform is not only technical, but also part of the moral and political agenda to strengthen democracy.

Although many countries have adopted international standards such as the International Public Sector Accounting Standards (IPSAS), the results of their implementation still vary. Differences in social, political, and economic contexts affect the extent to which reforms can be carried out effectively (Gherardi et al., 2021). In developing countries, for example, a lack of training and technological infrastructure often hinders the transition process to a full accrual system. This confirms the relevance of the Lüder contingency model in understanding these variations.

In addition, public accounting reform also has strategic implications for decision-making. Accurate and timely financial information allows for more effective fiscal planning, supports the efficiency of public resource allocation, and improves the performance of government institutions (Bruno & Lapsley, 2018). Thus,

accounting reform is not just a change in the technical system, but a transformation of institutional culture towards more adaptive and responsible governance.

This article was prepared to examine public sector accounting reform through the perspective of Lüder's Contingency Model with a qualitative descriptive approach based on literature study. The discussion was directed to identify the factors that support and hinder the implementation of public accounting reform, as well as examine the role of transparency and accountability as the main outcome of the implementation of New Public Management principles. This study is expected to enrich the literature on government accounting innovations, as well as make a theoretical contribution to understanding the relationship between public financial reform and good governance (Citrayanti & Yuhertiana, 2021).

2. Literature Review

2.1. Reform and the New Public Management (NPM) Paradigm

The paradigm shift in public sector governance since the end of the 20th century has been marked by a shift from the traditional public administration system to the New Public Management (NPM) paradigm, which emphasizes efficiency, transparency, and results-orientation. In the context of government accounting, NPM encourages the application of private sector management principles to improve the performance of public institutions (Mnif & Gafsi, 2020). Public sector accounting reform is a derivative of this paradigm, with a focus on increasing accountability through accrual-based financial reporting systems and performance-based management (Christensen & Rocher, 2021).

The NPM paradigm also plays a role in strengthening the public evaluation mechanism for the government, demanding an objective and open reporting system. Public accounting under the NPM not only serves as an administrative tool, but also as a strategic instrument to measure the effectiveness of public policies (Phuong-Nguyen et al., 2020). Thus, the implementation of public accounting reform is a reflection of the structural transformation towards a modern results-oriented governance. In the global context, the NPM principle continues to be the basis for bureaucratic reform in various countries. The emphasis on performance, efficiency, and public responsibility is the main motor for the adoption of international standards such as the International Public Sector Accounting Standards (IPSAS), which is expected to create uniformity, credibility, and transparency in public sector financial reporting (Brito & Jorge, 2021).

2.2. Lüder's Contingency Model in Public Accounting Reform

The Lüder contingency model is one of the most influential theoretical frameworks for understanding the variation in the success of public sector accounting reform in different countries. This model explains that the success of accounting innovation depends on the compatibility between external environmental factors, the social structure of information users, and the characteristics of political-administrative systems (Caperchione et al., 2019). This approach recognizes that there is no single universal approach, as the social and political conditions of a country largely determine the effectiveness of the implementation of reforms. In many cases, the main obstacles to reform are not only technical, but also cultural and institutional. For example, bureaucratic resistance,

weak political support, and limited professional capacity can slow down the implementation of accrual-based reforms (Haron et al., 2021). Lüder's Model thus helps identify internal and external determinants that affect the effectiveness of the implementation of a public accounting system. The contingency approach also views accounting reform as part of an adaptive system, where success depends on the ability of public institutions to adapt their practices to environmental pressures and public expectations (Abdulkarim et al., 2020). Thus, this model provides a comprehensive understanding of the dynamics of institutional change that underlie the success of accounting reform in the modern public sector.

2.3. Good Governance and Public Transparency

Public sector accounting reform is inseparable from efforts to realize good governance, which emphasizes the principles of accountability, transparency, and integrity of public institutions. An accrual-based accounting system is a means to improve the quality of financial information and strengthen public trust in the government (Tran et al., 2021). When financial reporting is done in an open and standardized manner, the public can assess the effectiveness of the use of public resources, thus creating a strong social control mechanism (Bruno & Lapsley, 2018). Public financial transparency also has political implications because it narrows the space for budget abuse and improves the efficiency of resource allocation. This reform is expected to be able to change the bureaucratic culture to be more responsive and results-oriented (Gherardi et al., 2021). The relationship between public accounting and good governance confirms that

financial information is not only an administrative product, but also a tool to strengthen the legitimacy of government. In the contemporary context, the success of accounting reform is measured not only by the application of international standards, but also by the extent to which the system increases openness, accountability, and public trust. Thus, accounting reform is an important pillar in building governance with integrity.

3. Methods

This study uses a descriptive qualitative approach with the literature study method as the main strategy in data collection and analysis. This approach was chosen because the research aims to understand the phenomenon of public sector accounting reform conceptually and contextually through an in-depth analysis of the relevant literature. This method allows researchers to explore a wide range of theoretical and empirical perspectives from academic sources published between the last five years, which substantially address public accounting reforms, Lüder's contingency model, and the implementation of New Public Management (NPM) in the public sector.

The research stage begins with the collection of secondary data, which is sourced from articles of scientific journals indexed by Google Scholar and Scopus, academic books, and policy documents that discuss public accounting reform. In this process, the researcher selected several key sources, including international journals. These sources were analyzed based on the suitability of the theme, the

relevance of the time of publication, and their contribution to the development of public accounting reform theory.

Furthermore, content analysis was carried out to identify the dominant themes that emerged from the literature. This analysis includes the process of coding key concepts such as transparency, accountability, efficiency, as well as contingency factors that affect the implementation of reforms. This analytical approach helps to construct thematic mapping that connects Lüder's theory to the context of public accounting practice in different countries. The data is then categorized into the main dimensions of the contingency model, namely stimuli, social structure of users, political-administrative structure, and implementation barriers.

To maintain the validity of the results, literature sources were triangulated, namely by comparing findings from various cross-country and cross-time studies to ensure the consistency of the arguments. The researcher also applies a critical review approach by examining differences in the results of previous research in order to produce objective and balanced conclusions. The results of the analysis were then synthesized narratively to illustrate the conceptual relationship between public accounting reform, the application of the contingency model, and its implications for governance. Thus, this research method not only aims to describe the findings of the literature, but also to build a complete theoretical understanding of how social, political, and administrative factors interact in influencing the success of public sector accounting reform in various institutional contexts.

4. Results

Public sector accounting reform has become a strategic issue in an effort to strengthen modern governance. The change is not just a technical update of the financial reporting system, but also reflects a paradigm shift in managing public organizations. The results of the literature review show that the implementation of accounting reform is highly dependent on the interaction between technical, social, political, and institutional factors as described by Lüder's Contingency Model. This approach confirms that innovation in public accounting can only succeed if there is a match between environmental conditions and the internal capacity of public institutions (Caperchione et al., 2019).

The results of the analysis show that in many countries, public accounting reform is initiated by external pressures (stimuli) such as demands for transparency from the public, recommendations from international institutions, and the encouragement of fiscal efficiency (Mnif & Gafsi, 2020). Global pressure on the implementation of accrual-based accounting standards, such as the International Public Sector Accounting Standards (IPSAS), is a major driver of changes in the government's financial reporting system. Countries with a strong political commitment to reform tend to be able to implement the accrual system more quickly and consistently. In contrast, in countries with high bureaucratic resistance, reforms are often symbolic and not accompanied by substantial changes in accounting practices (Christensen & Rocher, 2021).

The second component of the Lüder model, the social structure of users, explains the importance of the capacity of actors who use accounting information,

such as public managers, auditors, and policymakers. The results of the study show that low accounting literacy among public officials is one of the significant obstacles in the implementation of the accrual system (Phuong-Nguyen et al., 2020). In many developing countries, training and education on accrual accounting have not been carried out systematically, so the understanding of the benefits of accrual reporting is limited. This creates a gap between policy and practice, as found by Haron et al. (2021), who show that the weak technical understanding of public officials can cause misinterpretation of financial statements, even opening up opportunities for information manipulation.

The third component, the political-administrative structure, relates to the extent to which political and institutional support affects the success of reform. Brito and Jorge's (2021) study shows that a stable governance structure and consistent leadership have a positive correlation with the success of the implementation of accrual-based accounting. In an institutional context, the establishment of an independent financial supervisory body also plays an important role in maintaining the integrity of public financial reporting. On the other hand, an unstable political system can disrupt the continuity of reform policies, as each change of government often brings new priorities that shift the focus of previous reforms.

The final component in the Lüder model is implementation barriers, which include resource, technical, and organizational culture barriers. Many studies confirm that budget constraints and technological infrastructure are the main barriers to public accounting reform. Gherardi et al. (2021) emphasizes that without adequate budget support, reform only stops at the policy level without real transformation. In

addition, a bureaucratic culture that is still hierarchical and resistant to change hinders the implementation of the new system. In a study by Abdulkarim et al. (2020), it was found that changing the behavior of public organizations takes a long time, because accounting reform requires changes in the values, ways of thinking, and work patterns of government apparatus.

Another significant finding is the close relationship between public accounting reform and improved good governance. Successful reforms not only improve the quality of financial information but also strengthen the transparency and accountability of government agencies. Tran et al. (2021) found that the quality of public financial reporting has a direct effect on increasing public trust in government institutions. This is reinforced by the findings of Bruno and Lapsley (2018) who show that the transition to an accrual system in Pakistan has succeeded in improving the efficiency of budget management and reducing corrupt practices through evidence-based audit systems.

In addition, the results of the analysis show that the adoption of IPSAS has a positive impact on the harmonization of financial reporting between countries. However, the implementation of these standards often faces obstacles to local adaptation. Fuchs et al. (2017) highlight that the successful implementation of IPSAS in developed countries such as Switzerland is influenced by a strong supervisory system and the active participation of accounting professional institutions. In contrast, in developing countries, the main obstacle lies in inter-agency coordination and the lack of adjustment of domestic regulations with IPSAS principles.

In a managerial context, public accounting reform also has implications for increasing financial planning and control capacity. Karunia et al. (2019) found that the implementation of an accrual-based reporting system helps local governments in assessing financial performance more accurately and efficiently. This system allows for a more rational analysis of the costs and benefits of public policy, thus supporting evidence-based decision-making processes. However, these benefits can only be realized if reforms are accompanied by increased human resource capacity and a strong internal control system.

Empirically, public accounting reform also has an impact on strengthening social control mechanisms. Haron et al. (2021) explain that public financial information disclosure can reduce the level of budget irregularities and increase the effectiveness of external supervision by audit bodies. On the other hand, Caperchione et al. (2019) emphasized that the participation of the public and the media in supervising the implementation of the public budget plays a major role in creating sustainable transparency. Accounting reform is thus not only administrative, but also has a strong social dimension.

The results of a review of various literature also show that public sector accounting reform can be categorized into three main stages. First, the policy formulation stage, where the government sets strategic policies and national accounting standards. Second, the implementation and adaptation stage, which focuses on technical implementation and adjustment of the reporting system. Third, the evaluation and sustainability stage, where an evaluation is carried out on the effectiveness of the reform and its sustainability (Christensen & Rocher, 2021). Many

countries are struggling in the second stage as they require fundamental changes in financial information systems and institutional capacity.

Based on the findings of Citrayanti and Yuhertiana (2021), the success of public accounting reform is greatly influenced by the synergy between political, administrative, and social factors. The study emphasizes that the implementation of reform cannot be separated from the context of organizational culture, where changes in behavior and values are key to long-term success. Supported by political commitment, professional capacity building, and the enforcement of good governance principles, public accounting reform can be an effective instrument to increase fiscal accountability and strengthen public trust in the government.

The results of this literature review confirm that the application of Lüder's Contingency Model provides a comprehensive understanding of the complexities of public accounting reform. This model highlights that effective reform requires a balance between technical, structural, and social aspects. An approach that only emphasizes technical updates without regard to organizational readiness and political support tends to result in superficial change. Instead, integration between modern accounting systems, institutional capacity, and a culture of accountability can drive sustainable reforms. Thus, an understanding of contingency factors is an important prerequisite for any country that seeks to build a public accounting system that is transparent, efficient, and adaptive to changes in the global environment.

5. Discussion

The results of the study show that public sector accounting reform cannot be understood solely as a technical innovation, but as a complex and multidimensional process of institutional change. Based on Lüder's Contingency Model approach, the success of reform depends heavily on the suitability between the external environment, political support, the social structure of users, as well as the readiness of public organizations to adapt to the new system (Caperchione et al., 2019). This model provides an explanation for why the implementation of accrual reforms in different countries results in significant variations in success. Countries with strong political commitment, resource support, and adaptive organizational cultures show greater progress compared to countries that are still bureaucratically oriented (Mnif & Gafsi, 2020).

The New Public Management (NPM) paradigm is the philosophical basis of public accounting reform because it emphasizes efficiency, effectiveness, and accountability in state financial management. Through the application of NPM principles, public accounting plays an instrumental role in measuring performance, assessing policy outcomes, and strengthening public accountability mechanisms (Christensen & Rocher, 2021). However, the results show that although many countries have adopted NPM principles and international standards such as IPSAS, their application in the field is often still normative and has not been fully internalized in financial management practices. This gap arises due to limited technical capacity, cultural resistance, and lack of policy consistency at the institutional level (Haron et al., 2021).

The discussion also emphasized that public accounting reform is closely related to efforts to realize good governance. The transparency and accountability resulting from an accrual-based accounting system are able to strengthen public trust in government institutions. In this context, financial information serves not only as a reporting tool, but also as an effective means of social supervision (Tran et al., 2021). The disclosure of fiscal data allows the public, the media, and external audit institutions to conduct more objective supervision of the use of public resources. Thus, accounting reform contributes directly to improving bureaucratic integrity and strengthening government legitimacy.

In addition, the results of the discussion show the importance of synergy between technical reform and institutional reform. Citrayanti and Yuhertiana (2021) emphasized that changes in the financial reporting system will only succeed if accompanied by strong political commitment and investment in improving the capacity of human resources. In practice, many reforms fail because they ignore the social and cultural dimensions of the organization that determine the sustainability of innovation. Therefore, an effective reform strategy must consider a holistic approach that incorporates policy aspects, institutional structures, and improving public accounting literacy.

Thus, it can be concluded that the success of public accounting reform depends on a balance between technocratic and institutional approaches. Reforms that focus only on adjusting standards without reinforcing the values of transparency and accountability will result in superficial change. Conversely, when reform is supported by political commitment, social participation, and institutional readiness,

public accounting transformation can become the main foundation for efficient, adaptive, and high-integrity governance.

6. Conclusion

Public sector accounting reform is a strategic step in building transparent, accountable, and efficient governance. The results of this study show that the success of reform is determined not only by technical updates in the financial reporting system, but also by political, social, and institutional factors that interact with each other. Lüder's Contingency Model approach helps explain the variation in reform implementation outcomes in different contexts, emphasizing the importance of alignment between environmental pressures, organizational capacity, and political and administrative support. The implementation of an accrual-based accounting system has been proven to be able to improve the quality of financial information and strengthen public accountability.

However, these reforms require sustained commitment from all stakeholders, especially in improving the competence of the apparatus, improving technological infrastructure, and strengthening institutional integrity. Without synergy between these elements, reform risks becoming a formality without producing real change. Public accounting reform should be seen as a transformative process that transcends technocratic boundaries. Its success depends on the government's ability to strike a balance between the application of international standards and the local context. Reforms that are designed in an adaptive manner and based on good governance

values will be the main foundation in realizing public finances with integrity, transparency, and sustainability.

References

Abdulkarim, M. E., Umlai, M. I., & Al-Saudi, L. F. (2020). Exploring the role of innovation in the level of readiness to adopt IPSAS. *Journal of Accounting & Organizational Change*, 16(3), 469-495.

Brito, J. R., & Jorge, S. (2021). The institutionalization of a new accrual-based public sector accounting system: the case of Cape Verde. *International Journal of Public Administration*, 44(5), 372-389.

Bruno, A., & Lapsley, I. (2018). The emergence of an accounting practice: The fabrication of a government accrual accounting system. *Accounting, Auditing & Accountability Journal*, 31(4), 1045-1066.

Caperchione, E., Cohen, S., Manes-Rossi, F., & Brusca, I. (2019). Innovations in public sector financial and management accounting—for better or worse?. *Public Money & Management*, 39(6), 385-388.

Christensen, M., & Rocher, S. (2021). Phantom images in public sector accounting reform: A French study. *Accounting Auditing Control*, 27(1), 159-187.

Citrayanti, S. A., & Yuhertiana, I. (2021). Telaah Reformasi Akuntansi Sektor Publik di Indonesia: Perspektif Luder Contingency Model. *Jurnal Ilmiah Ekonomi Global Masa Kini*, 12(2), 95-111.

Fuchs, S., Bergmann, A., & Brusca, I. (2017). Using financial reporting for decision making as a measure towards resilient government finances: The case of Switzerland. *Lex Localis*, 15(1), 133.

Gherardi, L., Linsalata, A. M., Gagliardo, E. D., & Orelli, R. L. (2021). Accountability and reporting for sustainability and public value: Challenges in the public sector. *Sustainability*, 13(3), 1097.

Haron, R., Omar, N. B., Paino, H., & Mohamed, N. (2021). Explaining the Gap Between Policy and Practice With Luder's Contingency Model on the Issues of Misappropriation of Assets and Corruption: in the Perspective Of Malaysian Local Authorities. *Academy of Strategic Management Journal*, 20, 1-11.

Karunia, A. P., Payamta, P., & Sutaryo, S. (2019). The Implementation of Accrual-based Accounting in Indonesian Government: Has Local Government Financial Statement Quality Improved?. *Journal of Accounting and Investment*, 26-43.

Mnif, Y., & Gafsi, Y. (2020). A contingency theory perspective on the analysis of central government accounting disclosure under International Public Sector Accounting Standards (IPSAS). *Meditari Accountancy Research*, 28(6), 1089-1117.

Phuong-Nguyen, T. T., Thanh, H. P., Tung-Nguyen, T., & Tien-Vo, T. T. (2020). Factors affecting accrual accounting reform and transparency of performance in the public sector in Vietnam. *Problems and Perspectives in Management*, 18(2), 180.

Tran, Y. T., Nguyen, N. P., & Hoang, T. C. (2021). Effects of leadership and accounting capacity on accountability through the quality of financial reporting by public organisations in Vietnam. *Journal of Asia Business Studies*, 15(3), 484-502.