



# Public Sector Accounting Reform through Lüder's Contingency Model: A Literature Analysis

Ainun Mardia Syamsir<sup>1</sup>

<sup>1</sup> Universitas Muhammadiyah Makassar, Makassar, Indonesia

---

## Abstract

---

### Article history:

Received: July 20, 2023

Revised: September 15, 2023

Accepted: October 26, 2023

Published: December 30, 2023

---

### Keywords:

Accrual,  
Accountability,  
Contingency,  
Reform,  
Transparency.

---

### Identifier:

Zera Open

Page: 171-190

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

Public sector accounting reform continues to evolve in response to the increasing demands for transparency, accountability, and effectiveness of public financial management. This article analyzes the literature of the last five years to evaluate the factors influencing the successful implementation of accrual-based accounting through the framework of Lüder's Contingency Model. The results of the synthesis indicate that changes in public accounting are influenced by the complex interplay between reform stimuli, information user capacity, the political-administrative context, and technical and institutional implementation barriers. Accrual benefits, including improved reporting quality, asset management, and fiscal accountability, can only be achieved if supported by human resource readiness, integrated information systems, and sustained political commitment. In contrast, without such support, accruals tend to generate administrative burdens without substantive impact. In addition, the development of digital governance strengthens the need for technology integration in accounting reform to ensure the openness and accessibility of public data. These findings confirm that public sector accounting reform is a long-term process that requires a holistic approach to realize good governance and effective public financial management.



## **1. Introduction**

Public sector accounting reform has been an important agenda for many countries in the past two decades, as demands for transparency, accountability, and efficiency of public resource management have increase. The shift from a cash to an accrual basis, the implementation of more comprehensive reporting standards, and the strengthening of audit mechanisms are some of the changes aimed at improving the quality of public financial information and supporting evidence-based policy-making (Yusof & Jaafar, 2018). On the other hand, the transformation is not only technical but also institutional and social: accounting reform requires the readiness of human resources, technological infrastructure, and a strong political commitment for effective implementation (Hayat et al., 2020).

In academic studies, various theories have been used to explain how public accounting innovations emerged and were adopted. One influential theoretical framework is Lüder's Contingency Model, which emphasizes that the process of accounting innovation is influenced by four elements: stimuli, social structural variables of information users, characteristics of political administration as information providers, and implementation barriers. This contingency approach helps to position accounting reform not merely as a technical change, but as a response to external pressures and internal organizational conditions as well as the political-administrative environment (Pereira et al., 2022). Contemporary empirical studies adapt this perspective to explain variations in accrual accounting adoption patterns in various governance contexts, particularly in developing countries that

face the complexity of governance structures and capacity constraints (Masum & Parker, 2020).

Post-crisis global demands and the dynamics of modern governance are also driving the adoption of new public management practices, including the principles of New Public Management (NPM) and a shift towards good governance that places results, performance accountability, and market orientation as part of public administration reform. However, the application of these principles in public accounting practice often encounters obstacles: high implementation costs, weak staff skills, overlapping regulations, and organizational resistance to change (Alsharari et al., 2020). Recent findings suggest that without integration between HR capacity building and accounting information system investment, accrual theoretical benefits are difficult to achieve consistently (Fahlevi et al., 2022).

Although the literature on accrual benefits is relatively extensive, there is still a research gap on how the combination of social and political structural variables, as formulated in Lüder's contingency model, affects reform outcomes at different levels of public institutions. Some studies emphasize technical and regulatory aspects, but few examine the simultaneous implications of external pressures (e.g., donors, international institutions), characteristics of public information users, and administrative barriers in a single unified framework (Masum & Parker, 2020). In addition, the development of digital governance and increasing public expectations post-COVID-19 pandemic add a new dimension that needs to be integrated in the study of accounting reform, especially related to data disclosure and online accountability.

Based on the need to maintain empirical relevance and contingency theory frameworks, this paper positions itself to examine public sector accounting reform using Lüder's Contingency Model as an analytical foundation. This approach allows for a holistic analysis that links the stimuli driving reform, the socio-structural conditions of information users, the characteristics of political administration as an information producer, as well as the implementation barriers that arise in practice. This study also refers to a literature review and case studies that describe the dynamics of accrual adoption and efforts to improve the quality of public financial reporting (Citrayanti & Yuhertiana, 2021).

Against that backdrop, this article aims to (1) outline the determinants of the success and failure of public accounting reform from a contingency perspective, (2) identify the implementation barriers that have emerged most frequently in empirical studies of the past five years, and (3) suggest policy implications for decision-makers to improve the effectiveness of the reform process. This approach is expected to make a theoretical contribution by synthesizing cutting-edge empirical evidence and offering practice recommendations that can be adopted by public institutions that are or will be undertaking accrual-based accounting transformations.

## **2. Literature Review**

### **2.1. Theoretical Foundations: Lüder's Contingency Model in Public Accounting Reform**

Lüder's Contingency Model is a widely used theoretical framework to explain why and how public sector accounting innovations are adopted in the context of

government. This model emphasizes that accounting reform is not a stand-alone technical process, but rather relies on the interaction between four core components: stimuli, the social characteristics of information users, the political-administrative structure of information producers, and implementation barriers. Contemporary theoretical studies show that the complexity of public accounting reform increasingly emphasizes the relevance of the contingency approach in analyzing the factors that influence its success and failure (Pereira et al., 2022). In many cases, accounting innovations only emerge when the stimulus is strong enough and accompanied by the government's internal needs to improve transparency or fiscal control.

A review of the literature shows that over the past five years the contingency approach has been increasingly used to understand variations in the implementation of accrual-based accounting. Citrayanti and Yuhertiana (2021) assert that the Lüder model is able to explain the social and political dynamics that affect the effectiveness of reforms in different types of public organizations, even when the governance structure differs significantly between regions. These findings are in line with the results of research by Citrayanti and Yuhertiana (2021), who also explained that changes in the public accounting system must consider external stimulus factors, political support, and institutional readiness to overcome implementation obstacles.

Thus, the latest literature reinforces the position of the contingency model as the main framework that bridges the technical and non-technical aspects of accounting reform. The model not only maps relevant factors but also confirms that

accounting reform is the result of a dynamic interaction between environmental contexts, political interests, user information needs, and administrative readiness.

## **2.2. Empirical Evidence Regarding the Benefits and Impacts of Accrual Accounting**

Empirical studies in the last five-year period show that the application of accrual-based accounting has the potential to improve the quality of government financial statements, fiscal accountability, and public governance. Yusof and Jaafar (2018) found that accrual accounting improves the accuracy of information about assets and liabilities, thereby facilitating long-term budget planning and providing a more comprehensive understanding of the government's fiscal position. However, the literature also emphasizes that these benefits can only be realized when the implementation of accruals is supported by an integrated information system, clear reporting standards, and robust audit mechanisms.

Research by Hayat et al. (2020) shows that the integration between technology, HR competencies, and internal control is a key factor in maximizing accrual benefits. When government IT systems are unable to accommodate accrual-based recording and reporting needs, the benefits of such accounting become limited. Another study by Fahlevi et al. (2022) indicates that some government entities experience increased administrative burdens, especially in the early phases of the transition, creating uncertainty in the preparation of long-term reporting and liability assessments.

Nonetheless, empirical evidence generally suggests that the adoption of accruals improves the quality of governance when done consistently. The positive

impact is seen in increased transparency, the availability of more accurate information for decision-making, and the government's ability to identify fiscal risks. Thus, accrual benefits are conditional depending on institutional readiness, quality of human resources, and adequate technological support.

### **2.3. Implementation Barriers: HR, Technology, and Political-Administrative Factors**

The literature of the last five years has consistently shown that implementation barriers are the main determinants of the success of public accounting reform. The most dominant obstacles arise from the limitation of human resources, especially the lack of understanding of accrual principles, report analysis, and the operation of accounting information systems. Aburous (2019) show that many government employees do not have adequate technical competence, so the accrual transition process is slow and prone to recording errors. Training and technical guidance are an urgent need if reform is to produce substantive change, not just administrative change.

In addition, the readiness of information technology is a significant obstacle. Hayat et al. (2020) found that many public entities use unintegrated information systems, so financial data becomes fragmented and complicates the reconciliation process. The lack of support of technological infrastructure also hinders consistent recording between organizational units. This barrier is compounded when the system has to record accrual estimates such as depreciation, long-term liabilities, and intangible assets.

From the political-administrative side, leadership commitment and policy stability are very decisive for the success of reform. Azhar et al. (2022) explained that leadership changes often result in changes in priorities and the cessation of accrual implementation. In addition, internal resistance also arises when employees feel that changes in the accounting system increase workload without providing clear incentives. These obstacles suggest that the success of reform does not depend solely on technical factors, but is strongly influenced by institutional dynamics, organizational culture, and long-term political support.

### **3. Methods**

This research method uses a descriptive qualitative approach with a systematic literature review technique to examine public sector accounting reform within the framework of Lüder's Contingency Model. The research steps include (1) the formulation of a study focus that focuses on the four main constraints of the contingency model (stimuli, social structural variables of information users, characteristics of political administration as an information producer, and implementation barriers), (2) search of academic literature published in the last five years in major databases such as Google Scholar and institutional repositories, as well as inclusion of policy documents and reviews of relevant literature; (3) the selection of articles based on inclusion criteria: (a) published in the last five years, (b) academically referenced and/or peer-reviewed, (c) discussing aspects of public sector accounting reform, the adoption of accrual accounting, or the application of contingency models/related theories, and (d) full-text downloadable for analysis; and

exclusions include non-scientific publications, opinions without empirical support, and documents outside the time span.

The selection process follows a simple PRISMA-like flow: identification (initial search of approximately 85 documents), screening of titles/abstracts (approximately 40 documents remaining), and full-text selection resulting in the final set of analyzed studies (approximately 11 documents), including cross-border empirical articles, case studies, and literature reviews that meet the criteria. Several journal articles are used as contextual and theoretical sources that confirm the use of Lüder's Contingency Model in the study of accounting reform; These documents are integrated as one of the main references for building a conceptual framework and interpretation of results.

Data analysis was carried out using content analysis and thematic synthesis techniques: each article was read in full, inductively coded to extract relevant themes (e.g., accrual benefits, HR constraints, technological issues, political roles), and then thematic grouping was carried out that re-linked the four elements of the contingency model to produce a synthesis narrative. The validity of the study was strengthened through triangulation of sources (combining empirical studies, reviews, and policy documents), recording audit trails of inclusion/exclusion decisions, and cross-checking key citations between studies to reduce selection bias. Ethical considerations include accurate citation, the use of only legally available public sources, and methodological transparency so that readers can replicate the search and analysis process. The results of the analysis are presented narratively to highlight

common patterns and contextual variations that are relevant to policymakers and researchers.

## **4. Results**

A synthesis analysis of the selected literature over the last five-year period shows that public sector accounting reform, especially the adoption of accrual-based accounting, is influenced by complex interactions between stimulus factors, information user characteristics, political-administrative structures, and implementation barriers inherent in public bureaucracy. The studies analyzed confirm that the reform process is not linear, but is strongly influenced by different institutional contexts. In general, the four main components in Lüder's Contingency Model prove relevant to understand the dynamics of reform, namely stimuli, the social structure of information users, the characteristics of information producers (governments), and implementation barriers that arise at each stage of transition (Citrayanti & Yuhertiana, 2021).

In terms of stimuli, the findings suggest that external and internal drives both play an important role in triggering accrual adoption. External pressures often arise from the demands of donor agencies, obligations to harmonize global reporting standards, and public expectations for increased transparency. This impetus becomes even stronger when combined with reform agendas designed by international institutions or audit requirements that emphasize the use of accrual principles. On the other hand, internal stimuli are related to the need for government organizations for more comprehensive financial information to support asset

management, long-term liability analysis, and more accurate fiscal decision-making (Yusof & Jaafar, 2018). In some cases, governments use accrual reforms as an effort to increase fiscal credibility in the eyes of the public and investors. The literature shows that when external and internal stimuli reinforce each other, accrual adoption tends to make significant progress and result in improved reporting quality (Hayat et al., 2020).

However, the accrual benefits reported in various studies are not automatic, but rather depend on the readiness of the supporting infrastructure. Benefits such as increased fiscal transparency, information reliability, and the ability to assess long-term liabilities can only be realized in contexts that have an adequate combination of performance-based budgeting systems, consistent reporting standards, strong internal oversight, and information system integration. Pamungkas et al. (2018) shows that accruals can improve the accuracy of asset and liability measurement, thereby improving the planning process. However, the study of Fahlevi et al. (2022) found that some governments experienced increased administrative burdens during the transition period, which had an impact on reporting inconsistencies. These findings indicate that the impact of accrual is strongly influenced by institutional readiness, the technical capacity of human resources, and government commitment to consistently implement standards.

Analysis of the social variables of information users reveals that fiscal literacy and the capacity of financial report users play an important role in determining the extent to which accrual information is utilized. External users such as legislators, civil society organizations, external auditors, and the public, have the potential to be

the main drivers of improving the quality of reporting if their level of understanding is sufficient. Studies show that governments tend to improve the quality of transparency when the legislature has a strong evaluative capacity and when the public actively requests fiscal information (Rohim et al., 2022). In contrast, in many developing country contexts, low fiscal literacy causes accrual information to not be utilized optimally. Azhar et al. (2022) noted that legislatures that lack understanding of the substance of accrual reports are often unable to provide adequate supervision, so accruals are only adopted administratively without producing substantive changes. The findings from Kasingku (2022) reinforce this by showing that there are still many public organizations that view accrual reporting as a formal obligation, rather than a tool for performance evaluation and decision-making.

Another aspect that emerges strongly from the analysis is the implementation barriers. Technical obstacles related to limited human resources are the most widely reported issue. Many government employees do not have an understanding of asset measurement, depreciation, liability assessment, and other complex transaction recording. The study of Alsharari et al. (2020) emphasizes that the understanding of accrual accounting is often low, even though training has been provided. In addition, obstacles arise in the form of a lack of analytical capacity to interpret accrual reports. Hayat et al. (2020) point out that even when accounting software is available, inconsistencies in data input can result in unreliable reports. These obstacles have a significant impact on the quality of financial statements and slow down the reform process.

Technological barriers are also becoming increasingly relevant issues in the context of government digitalization. Unintegrated information systems, weak data infrastructure, and gaps between organizational units cause significant difficulties in consolidating financial statements. Reconciliation errors, fragmented data, and mismatches in transaction classification are obstacles that hinder the comprehensive presentation of accrual information (Kasingku, 2022). In some cases, the implementation of digital accounting systems is carried out without organizational readiness, resulting in an increased administrative burden for accounting staff.

Political-administrative factors also have a great influence. The literature suggests that the success of reform depends on consistency of policy direction and long-term political support. In a context where government leadership understands the value of fiscal accountability and makes it a strategic priority, reforms tend to move faster. Committed governments usually provide budget support, training, and system upgrades on an ongoing basis (Masum & Parker, 2020). Conversely, political changes often halt reform momentum or cause bureaucratic priorities to change bureaucracy which has an impact on implementation stagnation. Azhar et al. (2022) notes that bureaucratic resistance also arises in the form of disapproval of the increased workload or fear of greater transparency. This shows that accounting reform cannot be separated from the dynamics of power and political preferences.

The synthesis analysis also shows that the audit and external control dimensions play an important role in maintaining the consistency of accrual implementation. The study of Yusof & Jaafar (2018) shows that competent public auditors are able to improve the quality of reports through a strict evaluation

mechanism. Rohim et al. (2022) added that the strengthening of audit standards encourages the government to be more careful in presenting accrual estimates. Nevertheless, some studies note that auditors face significant challenges in assessing accrual estimates, including the valuation of intangible assets and contingent liabilities. Fahlevi et al. (2022) stated that this technical complexity often leads to differences in interpretation that have an impact on the uncertainty of report quality.

The literature also shows that there is a heterogeneity of results between countries and between organizational units. Some countries showed noticeable improvements in fiscal transparency, quality of asset management, and decision-making effectiveness after accrual adoption. However, other countries have only experienced partial increases or even prolonged stagnation. These differences can be understood through the lens of contingency: contexts that have strong stimuli, high human resource capacity, integrated information systems, ongoing political support, and effective audits tend to show greater success (Pereira et al., 2022). At the micro level, educational institutions and public service units that have a culture of adaptive learning and transformational leadership are found to be more able to internalize accrual substantially (Kasingku, 2022).

Finally, several studies emphasize the importance of digital governance as a new factor that increasingly determines the success of accounting reform. The use of open data systems, public performance dashboards, system interoperability, and data analytics in fiscal supervision has further expanded the meaning of accrual accounting. Hayat et al. (2020) show that digitalization accelerates public access to financial information, strengthens public participation, and increases trust in

government. Fahlevi et al. (2022) added that technology integration improves the government's ability to produce real-time reports that are more relevant for decision-making. Thus, digital governance is an important catalyst in ensuring the long-term success of accrual reforms.

Based on the research that has been conducted, the findings of this synthesis lead to the conclusion that the success of accounting reform depends on a combination of mutually reinforcing contingency factors. Accrual reform requires not only technical changes in recording standards, but also institutional transformation that simultaneously includes human, political, audit, and technological aspects.

## **5. Discussion**

The findings of this study emphasize that public sector accounting reform cannot be understood as a linear technical process, but rather as an institutional transformation influenced by social, political, and technological dynamics. The results of a synthesis of the literature over the last five years show that the success of the adoption of accrual accounting is largely determined by the synergy between the four main elements in Lüder's Contingency Model, namely stimuli, information user characteristics, political-administrative conditions, and implementation barriers. This model has proven to remain relevant to explain the variation in reform success in various modern governance contexts, especially in developing countries that have varying institutional complexity and bureaucratic capacity (Pereira et al., 2022).

One of the important issues in this discussion is the fact that the stimuli of reform do not automatically produce substantive change. Many countries have received external pressure from donor agencies and international financial institutions to adopt accruals, but without strong internal commitments, reforms tend to stop at the level of formality. Previous research has shown that external pressure is only effective if there is a fit for internal needs, such as the push to improve the quality of budgeting, asset management, and performance accountability (Yusof & Jaafar, 2018). Thus, the synergy between external pressure and internal motivation is a determining factor for success.

In addition, the capacity of information users has also been proven to greatly determine the use value of accrual accounting. When legislators, auditors, and the public have good fiscal literacy, they can demand more transparent reporting and make optimal use of accrual information in the oversight process. However, in the context of developing countries, low fiscal literacy often causes accrual information to not be used adequately, thereby reducing the potential for increased accountability (Azhar et al., 2022). This shows the need for a capacity-building strategy that targets not only government apparatus as information producers but also external users who play a role in the checks and balances mechanism.

Political-administrative dynamics also showed a significant influence. Studies over the past five years confirm that leadership commitment and policy stability are necessary to maintain the sustainability of reform. Accounting reforms that depend on certain figures often do not survive after a change of leadership or political change

(Aburous, 2019). In this context, it is important to establish institutional mechanisms that ensure the sustainability of reforms despite political dynamics.

Furthermore, the discussion of implementation barriers shows that technical issues such as limited human resources and IT infrastructure cannot be separated from broader organizational factors. Technical barriers are often a manifestation of weak internal governance, an organizational culture that is resistant to innovation, or unsupportive incentive mechanisms. Case studies show that institutions that have a learning culture and a performance-based incentive system are better prepared and more successful in implementing accruals than institutions that do not have such structural support (Fahlevi et al., 2022).

Finally, the development of digital governance and the increase in demand for transparency post-pandemic are new factors that strengthen the relevance of contingency analysis. Accounting reform no longer only demands changes in recording standards, but also requires the integration of technology in the form of performance dashboards, open data, and real-time accounting systems that can improve public accountability (Hayat et al., 2020). By broadening the interpretation of the contingency model, this study proposes that digital innovation should be seen as a new contextual variable that is increasingly important in the modern public accounting environment. This discussion emphasized that public sector accounting reform requires a holistic approach, where strengthening human capacity, policy consistency, technological readiness, and stakeholder engagement must go hand in hand for the goals of transparency and accountability to be achieved.

## **6. Conclusion**

Public sector accounting reform is a multidimensional process influenced by the complex interaction between technical, institutional, political, and social factors. Based on the synthesis of the literature in the last five years, it can be concluded that the success of the adoption of accrual-based accounting is determined not only by the readiness of regulations or the implementation of new standards, but also by the synergy between reform stimuli, the capacity of information users, political-administrative commitment, and the ability of institutions to overcome obstacles to implementation. Lüder's Contingency Model has proven to be able to explain the variation in reform success in different contexts, as it places accounting innovations in response to different environmental conditions, as well as the organization's internal ability to adapt.

The findings show that accrual benefits such as increased transparency, quality of fiscal decisions, and performance accountability can only be realized if supported by human resource readiness, technological infrastructure, robust audit processes, and integrated budgeting systems. Conversely, without such a foundation, accruals have the potential to be administrative changes without substantive impact. In addition, political-administrative dynamics and the ability of external users, such as the legislature and the public to utilize accrued information are decisive factors in increasing government accountability.

The development of digital governance and the increasing demands for transparency post-pandemic also confirm that accounting reform needs to move beyond technical changes towards broader institutional transformation. As such,

public sector accounting reform should be seen as a long-term process that requires sustained commitment, capacity investment, and adaptation to environmental changes in order to make a real contribution to good governance and more effective public financial management.

## References

- Aburous, D. (2019). IFRS and institutional work in the accounting domain. *Critical Perspectives on Accounting*, 62, 1-15.
- Alsharari, N. M. (2020). Accounting changes and beyond budgeting principles (BBP) in the public sector: Institutional isomorphism. *International journal of public sector management*, 33(2/3), 165-189.
- Azhar, Z., Alfian, E., Kishan, K., & Assanah, N. H. (2022). Accrual accounting at different levels of the public sector: A systematic literature review. *Australian Accounting Review*, 32(1), 36-62.
- 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.
- Fahlevi, H., Irsyadillah, I., Arafat, I., & Adnan, M. I. (2022). The inefficacy of accrual accounting in public sector performance management: Evidence from an emerging market. *Cogent Business & Management*, 9(1), 2122162.
- Hayat, A., Akhmad, B. A., Budiman, A., & Rajiani, I. (2020). Integrating people and technology in accrual accounting management to support quality financial reporting. *Polish Journal of Management Studies*, 22(2), 158-172.

- Kasingku, F. J. (2022). Penerapan Accrual Accounting dalam Sektor Publik. *Klabat Accounting Review*, 3(2), 72-83.
- Masum, M. A., & Parker, L. D. (2020). Local implementation of global accounting reform: evidence from a developing country. *Qualitative Research in Accounting & Management*, 17(3), 373-404.
- Pamungkas, B., Flassy, D. A., Yudanto, S., Rachman, H. A., Rahayu, S., Komarudin, S., & Setijono, H. (2018). Accrual-based accounting implementation in Indonesian's local governments compared to other countries' experiences. *Man in India*, 98(1), 1-23.
- Pereira, D. M. V. G., Rodrigues, J. M., & Matias-Pereira, J. (2022). Public Sector Accounting Reforms in the Light of the Contingency Model of Government Accounting Innovations. *Revista Contabilidade, Gestao E Governanca*, 25(1).
- Rohim, M. A. A., Sudaryanti, D., & Hariri, H. (2022). Analisis Pengaruh Penerapan Akuntansi Sektor Publik Terhadap Akuntabilitas Kinerja Instansi Pemerintah dalam Mencegah Fraud. *e\_Jurnal Ilmiah Riset Akuntansi*, 11(02).
- Yusof, N. S., & Jaafar, H. (2018). The implementation of accrual-based accounting in Malaysian public sector: Opportunities and challenges. *International Business Education Journal*, 11(1), 49-62.