

Transition to accrual accounting in the public sector of emerging economies

A literature review

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Abstract: This paper presents a literature review on the adoption and implementation of accrual accounting in the public sector (AAPS) in the context of emerging economies. The aim is to understand the main factors that have determined (1) the decision to adopt AAPS by governments in emerging economies and (2) the (in)succes of the implementation process. The study is motivated by the gap identified in the literature about the lack of research on the changes in public accounting, in particular the transition to accrual accounting, in emerging economies. The aim is to contribute to the literature on public accounting in emerging economies by understanding the institutional context in which the changes have occurred and the factors that determine the different levels of implementation. Findings evidence an increasing interest of the governments in emerging economies to reform their public accounting systems. However, the study indicates that reforms might be more successful if they are preceded or accompanied by further managerial reforms and the creation of the necessary conditions (skills, technological support, and the adaptation of national accounting standards). In addition, the strong influence of external stakeholders (e.g., IMF and World Bank) and the high level of corruption and fraud in administrative and political structures deviate the main sense of the reform. The institutional theory (motivated by coercive and normative pressures) and the need for external legitimacy are the main drivers in the decision to adopt AAPS.

Keywords: accrual accounting; public sector; emerging economies; literature review; factors.

1 Introduction

The public sector reforms initiated in the 1980s have occurred at an accelerated pace in developed countries as a response to criticism of low public sector efficiency, productivity and innovation and the poor quality of services provided (Bouckaert & Halligan, 2008; Hood, 1991, 1995). The reforms arise as the result of a set of changes aimed at approaching reinventing government (Osborne & Gaebler, 1993) and introducing the New Public Management (NPM) paradigm adopted by several countries, especially Anglo-Saxon ones (Dianto & Aswar, 2020). These reforms brought accrual accounting to public sector accounting systems, in an approximation to business accounting, and the adaptation of the International Public Sector Accounting Standards (IPSAS) framework to national standards (Brusca et al., 2015; Christiaens et al., 2015).

Transparency, accountability, and the quality of financial reporting is of key concern not only to end users but to society since it affects economic decisions that can have a significant impact on public value. Most governments around the world have been pressed to reform their financial management systems and processes based on accrual accounting. Developed countries, such as Australia, New Zealand, and the United Kingdom are leading this reform process and already have a high level of implementation of AAPS (Carlin, 2005; Christiaens et al., 2015; Ghani et al., 2019), in the belief that it will provide better information for decision makers and lead to better decision making (Hyndman & Connolly, 2011; Monteiro et al., 2013).

On the other hand, for many still developing nations, the high dependence on external financing acts as a strong pressure to modernize their accounting information systems and, by implication, the adoption of accrual accounting (Polzer et al., 2021a; Tetteh et al., 2021). However, as advocated by Polzer et al. (2021b) the adoption of IPSAS can be a challengeable decision, 'especially when countries are not sufficiently prepared, when it comes to converging-diverging national accounting and administrative traditions, implementation costs or preserving national sovereignty'. This can be problematic for emerging economies because external stakeholders (e.g., donor organizations, the accounting profession, and consulting companies) are pressured to implement AAPS but they might have interests that differ from the interests of the governments (Polzer et al., 2021b). So, the convergence among different interests is a crucial point for a successful reform in emerging economies. Institutional theory can play a major role in understanding accounting reforms in these specific contexts given the strong influence of external stakeholders (Polzer et al., 2021a; Tetteh et al., 2021). Therefore, issues related to public sector reform processes and accounting systems are relevant since, in addition to its role of reporting financial information for decision making and accountability, public sector accounting is considered an important tool to promote financial transparency, supporting the prevention and fight against fraud and waste in public sector entities and governments in general (Brito & Jorge, 2021). In this context, public sector accounting has an important relevance and must keep up with the evolution of new management models.

The main objective of this paper is to react to the call in the literature to increase research on public accounting changes in emerging economies (Polzer et al., 2021a,b; Tetteh

et al., 2021; van Helden et al., 2021). The relevance of the topic relates to the fact that the links between accounting reform in different governments and the degree of national development, including institutional and cultural context, are little addressed in the existing academic literature. This study is based on a literature review on the transition to AAPS in the context of emerging economies to understand the main factors that have determined the adoption decision and the in(successful) implementation. In this paper, emerging economies are considered developing countries, where the lack of infrastructure and basic services is a general problem, as well as political instability, institutions, very weak laws, and the policies prevail (van Helden & Uddin, 2016).

The motivation is mainly based on the scarcity of research concerning the transition to AAPS in the context of emerging economies. No limitations have been defined in relation to the period and to the indexed journals in the selection of papers. Until this data, the papers of van Helden and Uddin (2016), van Helden et al. (2021) and Polzer et al. (2021a) are the only known that present a literature review in the context of emerging economies. However, the first is oriented to literature about the introduction of IPSAS in developing economies (not specifically in the use of the accrual accounting), the second study is mainly focused on the use of management accounting practices by public entities, and the latter is focused on the revision of papers on public sector accounting in emerging economies published in a specific journal (the *Journal of Accounting in Emerging Economies*). In addition, our study adds value to knowledge in relation to the role of coercive and normative isomorphisms (under the institutional theory) in the explanation of the adoption and implementation of AAPS of emerging economies.

The main results of the literature review show that there is a growing trend towards the adoption of AAPS in emerging economies, but it is still far from being a successful process. The high influence and coercive pressure from external stakeholders (e.g., IMF, World Bank, and professional organizations) on the decision to adopt AAPS has been determinant in several emerging economies (e.g., Ghana, Indonesia, Sri Lanka, Thailand, among others), which reinforces the role of institutional theory (namely coercive and normative isomorphism) in understanding accounting reforms in these contexts. On the other hand, internal conditions (e.g., lack of technological support and lack of technical skills of accounting professionals) and the lack of a management culture for the introduction of innovations hinder the success of the implementation process. In other words, the success of reforms depends heavily on the proper balance between international standards and domestic practices arising from national political ideology, economic system, and culture. It is argued that contextual and other institutional factors, including culture, technology, politics, administration, and nepotism, to name but a few, significantly affect public sector accounting practices in emerging economies (Mbelwa et al., 2019; Polzer et al., 2021a; Tetteh et al., 2021).

The remainder of the paper is structured as follows: section 2 presents the theoretical background for the adoption and implementation of AAPS, with emphasis on emerging countries. Section 3 gives an overview of the methodological approach of the study. The results are presented in section 4 and section 5 discusses the results considering the reviewed literature emphasizing the contributions of the work. Conclusions, limitations, and avenues for future research are presented in section 6.

2 Theoretical background

2.1 Accrual accounting in the public sector (AAPS)

Over the last two decades, many countries around the world have gone through processes of reforming their public financial management and accounting systems to meet new information needs within the scope of the NPM, also with the aim of maintaining the international harmonization process (Brito & Jorge, 2021). A more informative accounting system performs two essential functions: it provides comprehensive and reliable information on public financing, and it provides a basis for better financial control of government activities (Luder, 1992). The global call for a shift from cash basis accounting to public sector accrual accounting (AAPS) fits within public sector financial management reforms (Matekele & Komba, 2020; Patrick et al., 2017). The introduction of accrual accounting into government accounting systems is one of the initial and determinant steps in public financial management reform (Azevedo et al., 2020; Matekele & Komba, 2020; Muraina & Dandago, 2020). On the other hand, as Harun et al. (2015) point out, the introduction of accounting reforms provides a means by which local citizens could be better informed.

Gomes et al. (2015), emphasized that the intentions of the NPM paradigm are to change management structures, processes, and practices in the public sector, with the aim of improving efficiency and making organizations more accountable. In general, the literature suggests that the main purpose of a new and more sophisticated public accounting system is to provide feedback for decision making and improve accountability and responsibility. Discrepancies in the perception of NPM and its implementation may cause tensions among public sector stakeholders with the possible effect of refusal or acceptance of the reforms (Prabowo, 2018).

Accrual accounting, unlike cash basis accounting, is an accounting basis that measures an entity's performance and position by recognizing economic events regardless of when cash transactions occur (Ismail et al., 2018). It is worth noting that the more comprehensive nature of information in accrual accounting has advantages over cash basis accounting from a credibility perspective (Ferry et al., 2018). For example, using accrual accounting, there is a comprehensive report on the economic and financial situation of the entity and its economic performance. This facilitates government asset management decision-making, including better maintenance, replacement policies, asset identification and disposal, and helps reduce risks such as loss due to theft or damage of assets. These are particularly important since the government is the largest asset owner in emerging countries. Accrual accounting provides a greater information content to communicate financing decisions and allows the government to take a long-term view. For example, with respect to liabilities, it highlights the expense of accrued liabilities in the public sector that were not visible in cash basis accounting. In addition, accrual accounting lays the foundation for better government performance management. Identifying assets and recognizing depreciation helps managers understand the impact of using fixed assets on public service delivery, encouraging managers to evaluate the effectiveness of these assets in delivering services. Depreciation expense is not captured by cash basis accounting. Ferry et al. (2018), concluded that better information provides the basis for better accountability, fostering a higher level of credibility. More specifically, more robust accounting and information

systems with international standards (such as accrual accounting) can correct the asymmetries of information between politicians and citizens, thus improving transparency and allowing voters to better control elected officials (Lewis & Hendrawan, 2020).

2.2 Accrual Accounting in the emerging economies

Previous studies have shown that the adoption and implementation of accrual accounting is vital for any government, particularly in emerging economies where there is political instability and a general lack of accountability and transparency. On the other hand, as revealed by Polzer et al. (2021a), the persuasion and decision stages of AAPS are poorly researched in the context of emerging and low-income countries, and in particular the role of local stakeholders such as professional accounting bodies and professional associations of public sector accountants. Some previous studies provide insight into how this reform has evolved in some emerging economies and the main difficulties experienced. See for example the studies developed in Sri Lanka (Dissanayake et al., 2020), in Malaysia (Ferry et al., 2018), in Indonesia (Hayat et al., 2020; Prabowo, 2018), in Thailand (Nakmahachalasint & Narktabtee, 2019), in Tanzania (Mbelwa et al., 2019), in Nigeria (Muraina & Dandago, 2020), in Ghana (Tetteh et al., 2021), and in emerging economies in Latin America (Gómez-Villegas et al., 2020).

A striking aspect of these studies on AAPS in emerging economies has been the influence exerted by international organizations, mainly funding agencies such as the World Bank (WB) and the International Monetary Fund (IMF), on the public accounting reform process (Ada & Christiaens, 2017; Dissanayake et al., 2020; Rajib et al., 2019; Tetteh et al., 2021). Financial dependence on international financial institutions such as the IMF and the WB has been a driving factor in the transition to accrual accounting (Gomes et al., 2015), particularly in emerging economies (Brito & Jorge, 2021), since these institutions finance many of the public administration activities in emerging countries, requiring innovations based on the best international accounting practices (Brito & Jorge, 2021). Moreover, the potential of accounting reforms based on the implementation of accrual accounting to combat fraud and corruption in the public sector has also been a key factor for change in these contexts (Ferry et al., 2018). As Cuadrado-Ballesteros et al. (2020) conclude, corruption tends to decrease as governments move forward with public sector accounting reforms, notably through the adoption of IPSAS or accrual accounting.

In the context of Latin America, Gómez-Villegas et al. (2020) concluded that accrual-based accounting information allows the evaluation of the efficiency and effectiveness of the application of economic and financial resources and the maintenance of public capital and assets. In essence, accrual-based accounting information will enable the fight against corruption, which is a general problem in emerging economies (Gómez-Villegas et al., 2020) but it is on the value of information for decision making and for transparency and accountability purposes that the central focus of this reform should be placed (Christiaens et al., 2015), particularly in emerging countries (Mbelwa et al., 2019; Muraina & Dandago, 2020; Bakre et al., 2017).

On the other hand, in the case of Indonesia, Prabowo (2018) argues that there are differences between the adoption of public sector reforms and the main ideas underlying the NPM (Prabowo, 2018). Such differences are labelled as 'confusions'. Confusion happens when there is inconsistency in concepts that should be clear to develop a practical

framework underlying implementation (Prabowo, 2018). In several cases, there are also contradictions between formal regulations (adoption) and the techniques implemented (how these regulations are implemented). For Harun et al. (2013), a rigid rules-based system is contrary to the philosophy of NPM, making it difficult for the new accounting system to be useful for managers to make decisions. To be able to produce information for decision-making, the accounting system should be flexible and provide discretion to government officials. Polzer et al. (2021b) further reinforce the importance of having convergence between the interests of external stakeholders and the government for accounting reform to be most successful.

In summary, at the level of external and institutional factors that have influenced the decision to adopt accrual accounting in emerging economies, previous studies emphasise the high dependence on international funding agencies (e.g. Nakmahachalasint & Narktabtee, 2019 in Thailand and Tetteh et al., 2021 in Ghana), the mimetic effect of the change process in developed economies (e.g. Dissanayake et al., 2020 in Sri Lanka), and reforms implemented after financial crises (e.g. Nakmahachalasint & Narktabtee, 2019 in Thailand). On the other hand, at the internal environment level, studies point to constraints associated with high corruption and fraud of administrative and political structures (Gómez-Villegas et al., 2020 in Latin America; Mbelwa et al., 2019 in Tanzania), lack of technical skills of public officials to implement the new accounting standards (Harun et al., 2013 in Indonesia; Mbelwa et al. (2019 in Tanzania; Tetteh et al., 2021 in Ghana), low political commitment (Harun et al., 2013 in Indonesia), the lack of technological support (Hayat et al., 2020 in Indonesia; Mbelwa et al., 2019 in Tanzania), the lack of articulation between local and central government (Hayat et al., 2020 in Indonesia), the rigidity and inflexibility of the accounting system contrary to the NPM paradigm (Harun et al., 2013 in Indonesia), implementation costs (Mbelwa et al., 2019), and the lack of a powerful, relevant and enforceable regulatory framework (Bakre et al., 2017).

3 Methodology

The main objective of this study is to carry out a literature review on the adoption and implementation of accrual accounting in the context of emerging economies, as well as the factors that determine different levels of implementation. To this end, a literature review on this topic will be carried out, as it is considered an important part of any research project (Seuring & Gold, 2012; Tranfield et al., 2003). Based on the objective of this study and the main research area, the following research question has been defined: *what factors determine the adoption and implementation of accrual accounting in emerging economies?*

To identify and present the essential and relevant current knowledge on accrual accounting, the strategy adopted in this study, as mentioned above, consists of conducting a literature review (Cronin et al., 2008). Thus, data were collected through a prescribed and replicable methodology, with the aim of providing a clear path for synthesizing and assessing the main findings of relevant studies on the topic (Meijer & Bolívar, 2016; Santis et al., 2018; Tranfield et al., 2003; Voorberg et al., 2015). In this process, the important step is conducting the review, which according to Santis et al. (2018) refers to the selection of studies, based on the definition of the keywords and databases to be used. Moreover, considering that the quality of the work is directly linked to the quality of the information used, this study conducted an extensive search with the aim of covering all potentially

relevant articles, followed by a restrictive selection. It is expected to support the research objective, and to clarify the state of the art and the gaps in knowledge in this field. In this sense, the purpose of our methodological approach is to identify articles from peer-reviewed international journals that contribute to research on AAPS in emerging economies. The analysis only included articles published in journals, as they are considered validated knowledge (Voorberg et al., 2015), while articles published in books were excluded due to restrictions in peer review processes.

The search was conducted on 24 March 2021, and includes all articles in English language, without any limitation of year of publication, scientific areas, or journals. The search was carried out in the title, abstract and keywords fields. Four search terms were defined ("accrual accounting & government", "accrual accounting & emerging economies", "accrual accounting & public sector" and "accrual accounting & emerging countries"). Each term is a combination of the keyword "accrual accounting" with an additional keyword. The selected keywords were chosen to try to collect as many relevant records as possible. Data were collected using two databases: the Web of Science (WoS) and the Scopus. As suggested by Zhu & Liu (2020), these two platforms provide us with multidisciplinary scientific articles that bring together a wide range of journals from different publishers and provide a global access point to much of the scientific literature published internationally. They are also suitable tools for carrying out a literature review on a given subject because they are comprehensive and include article citation counts and other additional data (Zhu & Liu, 2020).

Articles were considered relevant (as required by Hochrein & Glock, 2012), if they contained one of the keywords in their title and at least one search term from the keyword group in their abstract. At this stage, these articles were subjected to further analysis of their abstracts and, if deemed relevant or in case of doubt, selected and read completely to examine their content (Hochrein & Glock, 2012; Seuring & Gold, 2012). As was said before, articles that do not deal with the implementation of accrual accounting were removed from the sample, since they do not bring a new contribution to the literature. As a result, a final database composed of 73 articles published in international journals was obtained. This sample of articles was used for the literature review whose results are presented below.

4 Results: adoption and implementation of AAPS in emerging economies

4.1 Factors of the decision to adopt AAPS

Table 1 presents a summary of the main factors determining the decision to adopt the AAPS based on the articles selected in the sample. The factors promoting the adoption of accrual accounting include political support, the financial and political crisis, the pressure to modernize accounting systems under the NPM philosophy, cohesion among key stakeholders, and the need to counteract local public debt and reduce fiscal risk. In addition, knowledge, and availability of tasks, normative pressures arising from accounting human resource training, and coercive pressures from investors and auditors were found to be determinant factors in the decision to adopt AAPS in emerging economies.

Like other studies that have studied the progress of accrual accounting implementation in developed economies (Brusca et al., 2015; Chistiaens et al., 2015; Gomes

et al., 2015; Pina et al., 2009), institutional factors (either coercive or normative isomorphism) and external and political pressure to implement change are also very present at the time of decision making in countries with less economic and social development.

Table 1. Drivers of the adoption decision of AAPS in emerging economies

Drivers of adoption	Author(s)	Summary of conclusions
Support and political commitment	(Upping & Oliver, 2012)	Upping and Oliver (2012) investigate the transition from cash basis to accrual accounting systems in Thai public universities and pointed out that the Thai government requires public agencies to adapt their accounting practices in accordance with NPM and university management needs improved information for planning and control purposes.
	(Aquino et al., 2020)	Aquino et al. (2020) highlighted that in Brazil, the Treasury, Tributaries, and the Brazilian Institute of Certified Accountants presented different concerns and willingness to support accounting standards similar to IPSAS.
Financial and political crisis	(Harun et al., 2012)	Harun et al. (2012) assessed the institutionalisation of the Indonesian AAPS system and revealed how the Indonesian government's decision to adopt accrual accounting in 2003 was part of larger political and economic reforms following the financial and political crisis that occurred in 1998.
	(Ah et al., 2014)	Ah et al. (2014) found that the implementation of the South Korean AAPS was driven by a local financial scandal.
Modernisation of the accounting systems within the NPM philosophy	(Prabowo et al., 2018)	Prabowo et al. (2018) examine Indonesian public sector reforms between the late 1990s and 2015, specifically the adoption of accrual accounting. The study finds that the reforms are an attempt to implement NPM, specifically in relation to five aspects of financial management (i.e., market-oriented systems, budgeting, performance management, financial reporting, and auditing systems).
	(Thanh et al., 2020)	Thanh et al. (2020) determined the factors and their influence on AAPS reform in Vietnam. They found that accounting reform based on accrual accounting will have a positive impact on improving the transparency and efficiency of public sector operations.
	Ocampo-Salazar (2020)	Ocampo-Salazar (2020) focused on the accounting reforms in Medellín (Colombia) and showed that cash basis accounting was replaced by accrual accounting favourable to NPM and adopted international accounting standards.
	(Zhang, 2020)	Zhang (2020) investigates China's recent reform to adopt AAPS. Although many scholars claim that China should not and cannot completely duplicate Western practices, the authors conclude that the implementation of a new financial accounting system, to overcome the technical shortcomings of cash basis accounting, is nevertheless critical for Chinese public governance, allowing an assessment of the financial position and performance of the public sector under a market economy.
Normative pressures	(Mbelwa et al., 2019)	The findings of Mbelwa et al. (2019) indicated that the normative pressures arising from the training of accounting workers, generate a significant impact on the design of the effective administrative model of accrual accounting in Tanzania.
Coercive pressures from investors and auditors	(Mbelwa et al., 2019)	The findings of Mbelwa et al. (2019) indicated that coercive pressures from investors and auditors generate significant impact on the design of effective administrative model of accrual accounting in Tanzania.

Cohesion between key players	(Ah et al., 2014)	Ah et al. (2014) found that the implementation of the South Korean AAPS was driven by the advocacy of a civil society group and the ambitions and ideology of key actors.
Countering local public debt and reducing fiscal risk	(Chan, 2016)	Chan (2016) considered that the Chinese government's decision to adopt accrual accounting can be attributed to a desire to counteract local public debt and reduce fiscal risk.
Knowledge and availability of tasks	(Ismail et al., 2018)	Ismail et al. (2018) examined the factors influencing public sector accountants' readiness to implement accrual accounting in the Malaysian Federal Government. The authors reveal that change validity, task knowledge and task readiness are significant and positively influence the effectiveness of the Federal Government's change to implement the reform.

4.2 (In)Success in the implementation of AAPS

Table 2 summarises the main advantages and benefits associated with the successful implementation of accrual accounting in emerging economies. The main benefits include transparent and informative reporting in the public sector as a means of increasing accountability for performance (Gómez-Villegas et al., 2020; Mir et al., 2019; Muraina and Dandago, 2020; Primasari et al., 2018). This advantage assumes a key role in the context of emerging economies that are pressured by external stakeholders, namely funding agencies, to have more advanced accounting systems and increase the quality of information and the level of transparency (Gómez-Villegas et al., 2020; Mir et al., 2019). On the other hand, the decrease of fraud and corruption was also highlighted as an important advantage in emerging economies considering that this is still a problem (Bakre et al., 2017; Ferry et al., 2018; Lewis & Hendrawan, 2020).

Table 2. The main advantages in the implementation of AAPS

Advantages	Author(s)	Summary of conclusions
Increased transparency, accountability, and support to decision-making	(Mir et al., 2019)	Mir et al. (2019), based on the experience of five local governments in Indonesia, found that the implementation of the dual reporting system helped to produce transparent and informative reports.
	(Primasari et al. 2018)	Primasari et al. (2018) conducted a questionnaire survey among government employees in Central Java (Indonesia) and revealed that the implementation of accrual accounting was stated to produce transparent and accountable financial reporting as it will help employees to carry out operational activities.
	(Gómez-Villegas et al., 2020)	Gómez-Villegas et al. (2020) observed that the incorporation of accrual accounting is widely seen as an innovation in public accounting systems within the public financial management reforms in Latin America. The authors warn that the transition to its application has been driven by IPSAS, seeking comparability, greater information content, support for decision-making, transparency, and accountability.

	(Muraina and Dandago, 2020)	Muraina and Dandago (2020) surveyed accounting professionals and officials of the Institute of Chartered Accountants of Nigeria and concluded that accountability positively and significantly affects the quality of financial reporting in Nigeria. For the authors, specifically, the International Standards based on accrual accounting improved the level of accountability, which in turn improved the quality of financial reporting in Nigeria.
Reducing corruption and fraud	(Lewis & Hendrawan, 2020)	Lewis and Hendrawan (2020) investigated the impact of accounting practices on corruption among districts in Indonesia, and, showed that the employment of improved accounting methods is strongly associated with decreased corruption.
	(Ferry et al., 2018)	Ferry et al. (2018) examined the implementation of accrual accounting in Malaysia and found that it has potential for key governance and in combating fraud and corruption.
	Bakre et al. (2017)	Bakre et al. (2017) conducted research to test the claim that western accounting reforms, particularly international public sector accounting standards, would increase transparency and accountability and reduce corruption in clientelism-based developing countries such as Nigeria. They concluded that despite the claim of adopting Western accounting standards, and in particular IPSAS 17, which requires full accrual accounting and the use of fair value in property valuation, historical cost accounting appears to have been mobilised to massively corrupt the process for the benefit of politicians, other retired civil servants, and family members.

Finally, this study also analysed the barriers and difficulties experienced by emerging economies in the process of implementing the AAPS that may hinder the success of the reform. The range of difficulties identified in the literature is vast, which shows the concern expressed in previous studies about the lack of prior preparation of these countries in moving towards public accounting system reforms (see Table 3 for a summary of the main difficulties). There are macro institutional level reasons determined by a more external and politicized environment, such as the lack of commitment and willingness of the various stakeholders (Harun et al., 2013; Mbelwa et al., 2019), political instability (Lokuwaduge & Silva, 2020) and the widespread corruption of the Public Administration of these countries (Harun et al., 2013). At the micro-organisational level, the difficulties are more associated with the lack of an internal culture that promotes accounting reform (resistance to change, high implementation costs and lack of incentives and adequate internal regulations) and the lack of support and the necessary conditions for the successful implementation of changes (lack of competence of accounting professionals and lack of technological infrastructure). These constraints at the micro level show how, in these contexts, the strong external pressure to move forward with the reform may subsequently condition its success due to the gap between the formal changes approved by their own regulations and the practical conditions for making the reform operational. These are the so-called “unintended consequences” that

are expected to occur whenever there is this a gap between the formal decision on change and its practical operation (Brignall and Modell, 2000; Walker et al., 2011).

Table 3. The main difficulties in the implementation of AAPS

Difficulties /obstacles	Author(s)	Summary of conclusions
Implementation costs	(Mir et al., 2019)	Mir et al. (2019) found a significant increase in costs associated with implementing the new accounting regime in five local governments in Indonesia.
Lack of staff with adequate accounting skills	(McLeod & Harun, 2014)	McLeod e Harun (2014) conducted a study that relied on a combination of document analysis and interviews with central government policymakers involved in drafting Indonesian public sector accounting regulations, including senior officials from the Ministry of Finance as well as the Ministry of Internal Affairs in that country. In describing and analysing the challenges encountered in attempting to reform public sector accounting, the authors noted that this reform was seriously hampered by the lack of staff with adequate accounting skills - a problem compounded by the decision to continue preparing old cash-based reports alongside the new accrual-based reports.
	(Hayat et al., 2020)	Hayat et al. (2020) examined the adoption of accrual accounting by investigating readiness in human resources and public sector officials in Indonesia were surveyed and reveal that few activities have been taken to aid ownership of the new framework. However, the introduction of accrual accounting continues to face significant difficulties and shortcomings, including the absence of skilled accountants in the public sector, particularly at the close government level, proceeding to use cash-based budgeting.
	(Yuliati et al., 2019)	Yuliati et al. (2019) studied the implementation of accrual accounting by local governments in Indonesia. They observed that Indonesia joins other countries in accepting accrual accounting, although not all accounting staff are qualified, and the backgrounds of civil servants assigned to be accountants are not always aligned with the work expected of them.

	(Upping and Oliver, 2012)	Upping and Oliver (2012) investigate the transition from cash basis to accrual accounting systems in Thai public universities. The main factor influencing the change process is the low institutional capacity of some Thai universities, which is evidenced by the lack of staff with knowledge of private sector accounting practices.
	(Mbelwa et al., 2019)	The findings of Mbelwa et al. (2019) indicated that the execution of accrual accounting is further aggravated by inadequate technical competence and staffing in Tanzania.
Lack of technological infrastructure	(Hayat et al., 2020)	Hayat et al. (2020) found that the introduction of AAPS in Indonesia continues to face significant difficulties and shortcomings, along with non-aligned IT systems.
	(Upping and Oliver, 2012)	Upping and Oliver (2012) investigate the transition from cash basis accounting systems to accrual accounting in Thai public universities. The authors emphasise that the main factor influencing the change process is the low institutional capacity of some Thai universities, which is evidenced by the lack of technological resources.
Lack of incentives and internal regulations	(Nakmahachalasint and Narktabtee, 2019)	Nakmahachalasint e Narktabtee (2019) assessed the results of implementing accrual accounting in the central government of Thailand and noted that financial transparency and accountability were shown to have improved. They further found that significant barriers to the transition to accrual accounting include lack of incentives, a management culture, lack of accounting manuals and lack of understanding of accrual information.
Resistance to change	(Adhikari et al., 2019)	Adhikari et al. (2019) focused on the implementation of public sector accounting reforms in Egypt, Nepal, and Sri Lanka. Through document analysis and semi-structured interviews with public administrators, government accountants and members of professional accounting bodies, the authors observed that public sector accounting reforms resulted in resistance, internal conflicts, and unintended consequences, including the fabrication of results, in all three countries without any evidence of achieving better outcomes for public sector governance and accountability.

Widespread corruption	(Harun et al., 2013)	Harun et al. (2013) provided insights into the implementation of accrual accounting for local government in Indonesia. The authors addressed the background and obstacles to reforms and found that despite recent economic growth, political and public sector reforms still face some major challenges - corruption being the main one.
Political uncertainty	(Lokuwaduge & Silva, 2020)	Lokuwaduge and Silva (2020) stress that the political uncertainty prevailing in Sri Lanka has negatively affected the AAPS implementation process.
Lack of interest from main stakeholders	(Mbelwa et al., 2019)	Mbelwa et al. (2019) concluded that lack of interest from key stakeholders has caused weak policy and regulatory commitments in designing the effective administrative model of accrual accounting in Tanzania.
	(Harun et al., 2013)	Harun et al. (2013) provided information on the implementation of NPM practices in Indonesia, including the introduction of accrual accounting for local government. The results indicate that about the adoption of accrual accounting, local governments have not had adequate support from the central government.

5 Discussion

This study provides evidence that emerging countries are increasing their interest in reforming public accounting systems toward the implementation of accrual accounting standards, being for legitimacy or rational interests. Most of the reforms are happening in the last 10 years. In addition, the study finds that a plurality of articles (24%) are cross-country analyses and 38 articles studied only one country. Most articles (88%) focus on the central government level or local government. Only 6 articles (12%) focus on the level of single public-sector organizations. Finally, 20% of articles research the adoption of IPSAS in multiple levels of government (while 4% are not specific about the level of analysis).

Looking at the topics to which AAPS adoption is linked, the study identifies a thematic embedding with the targets pursued with implementation (accountability, transparency, harmonization, external legitimacy, and fighting corruption). In addition, the study indicates that the implementation of AAPS in emerging economies might be more successful if it is preceded or accompanied by further managerial reforms and the creation of the necessary conditions (skills, technological support, and the adaptation of national accounting standards). The institutional theory (motivated by coercive and normative pressures) and the need for external legitimacy (Brignall & Modell, 2000) are the main drivers in the decision to adopt AAPS. These findings add to prior studies which advocate for more research on the context to which these reforms are happening in the context of less-developed countries (Polzer et al., 2021 a,b; van Helden et al., 2021; Tetteh et al., 2021).

More specifically, the study shows us that the factors that promote the adoption of AAPS in emerging countries include political support and commitment, the involvement of

key stakeholders, and the need to harmonize public sector accounting with international standards as a way of obtaining external legitimacy. On the other hand, the search for legitimacy, the call for good governance and the fight against corruption and the modernisation of accounting systems are other factors for the advancement of accrual accounting. The fight against corruption should be highlighted, since emerging countries, especially African ones, still have a negative image at this level, and corruption is a major concern for the private sector and the public in general. In other words, unlike the more developed nations where these reforms are already advanced, such as the United Kingdom, Australia, or New Zealand, in emerging economies the focus of public sector accounting reform has not been on the potential of the information generated in the accounting process as a management and decision support tool (McLeod & Harun, 2014) but essentially to respond to the pressure from external stakeholders and the need to obtain external legitimacy.

In terms of implementation, the advantages confirm the importance of these reforms for increasing the level of transparency, accountability, and performance of public entities. However, the macro and micro-organizational constraints pose serious problems for the successful implementation of these reforms, which can lead to unintended consequences, as institutional theory suggests when changes are implemented in highly politicised contexts and with a focus on external legitimacy (Brignall & Modell, 2000). The lack of technical and political support was identified as important difficulties, which demonstrates the internal incapacity of the organizations and their administrative structures to put into practice the demands of the international regulations. This paper adds this new contribution concerning the implementation of accrual accounting (which was not researched by other previous studies in the context of emerging economies).

The literature identifies some differences in the factors that determine the adoption decision and the implementation levels of accrual accounting in the context of European and developed countries versus emerging economies. In the context of developed countries, adoption decisions seem to be more driven by the NPM paradigm and the objectives of rationality, performance, transparency, and target orientation than by external factors and political pressure as it seems to happen in emerging economies (see for example, Ada & Christiaens, 2017; Agasisti et al., 2018; Arnaboldi & Lapsley, 2009; Christensen et al., 2019; Gigli & Mariani, 2018; Gomes et al., 2015; Nitzl et al., 2020). In terms of the process of implementation and operationalisation of the changes, the main difficulties felt by developed countries are associated with the lack of a clear definition of rules and processes, the lack of penalties for non-compliance, the lack of specific knowledge in public sector accounting, the lack of an accounting culture and the lack of adequate resources (such as human resources and technological systems). On the other hand, political support and commitment, the involvement of the main stakeholders, as well as the need to harmonize public sector accounting are determining factors of a successful implementation process in more developed economies.

Despite the different contexts, it is important to highlight that some previous studies developed in the context of European and developed countries found similar benefits and difficulties like those found in emerging countries. For example, Tóth (2020) found that local governments in Hungary were not successful in introducing the new system as it turned out to be more complex than expected, and in most cases the data from the accounting information system does not fulfil its purpose in financial management. On the other hand,

Lampe et al. (2015) present evidence of increased efficiency among municipalities in Germany due to the adoption of accrual accounting. The authors conclude that AAPS supports better requirements, i.e., transparent, accountable, effective, and efficient public sector management. Also, Stefanescu (2020) concluded that most EU-OECD countries have implemented accrual accounting with many benefits for the public system, leading to major achievements of management initiatives such as enhanced public transparency and accountability throughout the accounting and budgetary reporting. Several comparative studies in developed countries have also concluded that countries have advanced at different paces in this reform due to their political, economic, and social context (Brusca et al., 2015; Christiaens et al., 2015; Pina et al., 2009).

6 Conclusions, limitations, and avenues for future research

Given the concern, both among practitioners and academic researchers, with public sector reforms, especially with the implementation and adoption of accrual accounting, and the recent practical and political emphasis placed on the harmonization of public sector accounting worldwide, the aim of this article was to conduct a literature review on public sector accounting reforms, with emphasis on emerging countries. Specifically, the study aimed to understand the benefits and challenges of adopting and implementing accrual accounting in this context, as well as the factors that determine its (in)success. To do this, this paper has focused on research findings on the implementation of the AAPS, reviewing previous studies and synthesizing research findings to provide new insights for future research. On the other hand, given the high levels of public debt around the world and the current discussion on the implementation of new accounting standards in the public sector, this review proves timely to help further the understanding of the public accounting research landscape within and across national boundaries. Overall, accrual accounting, is widely seen as an innovation in public accounting systems as part of public financial management reforms in governments around the world.

The findings evidence an increasing interest of the governments in emerging economies to reform their public accounting systems. However, the study indicates that reforms might be more successful if they were preceded or accompanied by further managerial reforms and the creation of the necessary conditions (skills, technological support, and the adaptation of national accounting standards). In addition, the strong influence of external stakeholders and lender actors (e.g., IMF and World Bank) (Brito & Jorge, 2021; Mbelwa et al., 2019; Tawiah, 2021) and the high level of corruption and fraud in administrative and political structures deviate from the main sense of the reform (Harun et al., 2013; Lewis & Hendrawan, 2020). The study also found that the implementation of AAPS in the emerging economies, was driven by local financial scandals in some governments, advocacy by a civil society group and the ambitions and ideology of key actors (Ahn et al., 2014). These findings provide new lessons concerning the role of the institutional theory (mainly motivated by the coercive, normative, and mimetic isomorphism) and the legitimacy theory to explain the adoption and implementation of AAPS in emerging economies.

On the other hand, the weak economic and social development of these countries requires the definition of priorities in the allocation of scarce public resources and these reforms may not be considered a priority. Some studies mention the costs of reform

implementation as an obstacle to this process of change. In addition, there is a lack of capacity of public sector professionals to use the information generated by the new accounting system and take advantage of its potential that goes far beyond information. Furthermore, cultural factors are positively related to the implementation of accrual accounting in the context of emerging economies. Even in the local context, it is found from the analyses that the educational level of the citizens of a municipality positively affects the level of its compliance, as well as when no penalties are imposed on municipalities that do not comply with the rules based on accrual accounting. However, more research is needed to develop concerning the implementation of AAPS in a particular local context to provide a deeper understanding of these dynamics in the emerging countries.

Our methodological setup was not exhaustive, and there may be documents that ended up not being selected for the sample, such as book chapters, editorial material, debates or research notes, articles that are not peer-reviewed and materials in languages other than English. However, the authors believe that from this work new studies can be defined that contribute to increase knowledge in emerging countries. Thus, authors suggest as future research clues to develop more detailed research directed to the local or central government of a single country, namely in the context of African countries that is even further behind, and to gauge the perception and usefulness of accounting professionals and policies in relation to the implementation of AAPS. On the other hand, this work will also leverage other comparative studies that seek to highlight the differences between developed and emerging economies in the adoption and implementation of AAPS.

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