PUBLIC SECTOR ACCRUAL ACCOUNTING ADOPTION: EVALUATING GLOBAL REFORM PROGRESS AND IMPLEMENTATION BARRIERS

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Abstract

This study aims to evaluate global developments in the adoption of accrual-based accounting in the public sector and identify various implementation barriers faced by governments in various countries. Accrual accounting is seen as a crucial reform in public financial management since it can enhance accountability, openness, and the caliber of financial data used in decision-making. However, the level of adoption and success of its implementation show significant variations across countries and regions. This study uses a literature review method by examining reputable international journal articles, international organization reports, and policy publications relevant to public sector accounting reform. The findings demonstrate that even though formal accrual accounting use has advanced significantly, substantive implementation still faces various challenges, such as limited human resource capacity, the technical complexity of accounting standards, organizational resistance and bureaucratic culture, limitations in information systems, and weak political and institutional support. Furthermore, differences in social, economic, and governance contexts also influence the effectiveness of this reform. This study concludes that the success Adoption of accrual accounting in the public sector is influenced by institutional preparedness, stakeholder commitment, and a sustainable implementation strategy in addition to legal legislation. It is anticipated that these results will contribute conceptually to the growth of public sector accounting literature and act as a guide for policymakers creating more successful public finance reforms.

Keywords: Public sector accounting, accrual-based accounting, public finance reform

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INTRODUCTION

One of the most important public finance reform initiatives in recent decades is the adoption of accrual-based accounting in the public sector. It is believed that switching from a cash-based to an accrual-based accounting system is a calculated attempt to increase transparency accountability, and the quality of government fiscal decision-making (Masoud, 2024a). Under a cash-based system, government financial information is limited to cash inflows and outflows within a single budget period, thus failing to comprehensively depict the financial position, long-term liabilities, and fiscal sustainability. In contrast, Accrual-based accounting makes it possible to recognize assets, liabilities, revenues, and expenses at the time of economic transactions rather than just when money is received or paid. Therefore, it is thought that accrual accounting will give public sector stakeholders such as legislators, legislatures, regulatory bodies, and the general public more pertinent and trustworthy financial data.

The global push for Adoption of accrual accounting in the public sector is closely related to the work of development organizations and international organizations that support good governance. The Public Sector Accounting Standards Board of the International Federation of Accountants created international standards like the International Public Sector Accounting Standards (IPS), serve as the primary reference for many countries in designing and implementing government accounting reforms. Additionally, as part of larger public financial management changes, international organizations like the World Bank and the Organization for Economic Co-operation and Development aggressively support the use of accrual-based accounting (Liberato et al., 2023). In this context, accrual accounting is seen as an institutional tool to improve resource allocation efficiency, bolster fiscal discipline, and increase public confidence in public financial management, in addition to being a technical modification in accounting records.

Nevertheless, The state of accrual-based accounting changes in the public sector differs greatly between nations. Accrual accounting has been effectively adopted in a few developed nations relatively comprehensively and integrated it into their government budgeting and financial reporting systems. However, in many developing countries and countries with limited institutional capacity, the adoption process remains partial, gradual, or even stagnant. Differences in the political, economic, administrative, and cultural contexts of government organizations influence the extent to which these reforms can be implemented effectively. This demonstrates that the adoption of accrual accounting is not a uniform process, but rather a complex phenomenon influenced by institutional and structural dynamics in each country (Polzer et al., 2021a).

According to a number of studies in the public sector accounting literature, accrual-based accounting is frequently faces a variety of technical and non-technical barriers. Technical challenges include limitations in accounting information systems, a lack of reliable asset and liability data, and the complexity of valuing unique public assets that lack clear market value. Non-technical barriers, on the other hand, include low human resource capacity, resistance to change within the bureaucracy, weak political commitment, and a lack of synchronization between accounting reform and performance-based budgeting systems (Gourfinkel, 2021). In many cases, accrual accounting reform tends to be treated as a formal compliance project with international standards, without being accompanied by substantive use of accrual information in fiscal planning and decision-making processes.

This situation raises important questions about the degree to which the original goals of adopting accrual-based accounting are truly met. Despite the accrual method used to generate government financial reports, their informational benefits are often not maximized by report users. Information on long-term assets and liabilities, for example, has not been fully utilized for fiscal sustainability analysis or strategic public asset management. This indicates a gap between the formal implementation of accrual accounting and its substantive implementation, which has a significant impact on the quality of public financial governance (Thi Thanh et al., 2020). Therefore, evaluating the progress of reforms globally is crucial to understanding the patterns of success and failure that have occurred across jurisdictions.

In the academic context, the literature on accrual-based accounting adoption in the public sector shows rapid development, but remains fragmented. Some studies focus on normative and conceptual aspects, while others highlight case studies in specific countries or regions. While providing valuable insights, this fragmented approach makes it difficult to draw comprehensive conclusions about the key factors influencing the successful implementation of accrual accounting reforms globally. Furthermore, many studies emphasize the end results of adoption, such as changes in reporting standards, without delving deeply into the implementation process and the accompanying organizational dynamics (Salato et al., 2024a). Yet, understanding implementation barriers is crucial for designing more realistic and contextualized reform strategies.

Given these conditions, research on Public Sector Accrual Accounting Adoption, focusing on evaluating global reform progress and implementation barriers, is highly relevant. This research is crucial for synthesizing empirical and conceptual findings from various country contexts to obtain a more comprehensive picture of the public sector accounting reform journey. Using a literature review approach, this research is expected to identify general patterns, dominant challenges, and supporting factors influencing the adoption of accrual-based accounting. The results of this study not only contribute to the development of public sector accounting literature but also provide practical implications for policymakers and government practitioners in designing and implementing accounting reforms that are more effective, sustainable, and appropriate to each country's institutional context.

RESEARCH METHOD

In order to assess the progress of international reforms in the adoption of accrual-based accounting in the public sector and to pinpoint the different implementation obstacles encountered by nations at different stages of development, this study employs a review of the literature. The literature review was conducted systematically by searching scientific articles, academic books, international organization reports, and policy publications relevant to the topic of public sector accrual accounting adoption. Literature sources were collected from reputable academic databases such as indexed international journals and publications from professional bodies and multilateral institutions with authority on public sector accounting reform. The selected literature focused on the modern accounting reform period to ensure relevance to contemporary policy dynamics and practices.

Data analysis was conducted using a qualitative synthesis approach, grouping literature findings based on key themes: the level of progress of accrual-based accounting reform globally and factors hindering its implementation. Each study was analyzed to identify patterns of similarities and differences in institutional context, human resource capacity, regulatory framework, and information technology readiness that influence the successful adoption of accrual-based accounting in the public sector. In addition to creating an overview of best practices and policy lessons that can be derived from the experiences of different nations in implementing accrual-based public sector accounting reforms, this study develops a thorough understanding of the structural and operational challenges facing governments through a process of comparison and critical interpretation.

RESULT AND DISCUSSION

Basic Concepts of Accrual Accounting in the Public Sector

The government's need to provide more thorough and transparent financial data that accurately depicts the status of the economy gave rise to the fundamental idea of accrual accounting in the public sector. Regardless of when cash or cash equivalents are received or paid, accrual-based accounting is a financial recording and reporting system that acknowledges economic transactions and events when the rights and obligations emerge (Azhar et al., 2022a). This strategy uses public sector financial reporting to show the government's financial situation, operational effectiveness, and long-term fiscal sustainability in addition to providing accountability for budget use. Accrual accounting allows the government to more fully disclose the impact of public policies, including financial consequences that may not be realized until the future.

In accrual-based accounting, revenue is recognized when the government obtains the right to the revenue, even though the cash has not yet been received. In the government context, revenue can include taxes, levies, grants, or other legitimate income. For example, tax revenue is recognized when a taxpayer's obligation arises in accordance with statutory regulations, rather than when the tax payment is actually received by the state or regional treasury. This approach provides a more accurate picture of the government's fiscal capacity and potential revenues within an accounting period. Thus, accrual accounting helps stakeholders assess the effectiveness of tax policies and revenue collection performance more objectively (Haija et al., 2021a).

Expense recognition in accrual accounting also follows the same principle: expenses are recognized when an obligation is incurred or an economic resource is consumed, rather than when payment is made. Employee salary expense, for example, is recognized when employees render services to the government, even if the salary payment is made at a later date. Similarly, asset maintenance expenses or debt interest expense are recognized in the period in which the benefit or obligation is incurred (Cuadrado-Ballesteros & Bisogno, 2021). In this way, government operational reports can reflect the true costs of providing public services within a period, allowing for a fairer and more rational performance evaluation between periods.

In addition to revenue and expenses, accrual accounting places assets and liabilities as essential components in public sector financial reporting. Assets are recognized as economic resources controlled or controlled by the government as a result of past events and that have the potential for future economic or social benefits. Government assets include not only cash and cash equivalents, but also tax receivables, inventory, fixed assets such as land, buildings, and infrastructure, and intangible assets. Recognizing and measuring assets on an accrual basis allows the government to more accurately assess the value of state or regional assets, while also supporting more effective and sustainable asset management.

Liabilities in In the public sector, accrual accounting is acknowledged as responsibilities of the government resulting from past events, the settlement of which is anticipated to cause a financial outflow. Short-term and long-term debt, third-party responsibilities, and post-employment benefit obligations are examples of liabilities. Accrual liability recognition gives a clear picture of the government's commitments will bear in the future. This information is crucial for assessing fiscal risk, debt repayment capacity, and the government's long-term financial sustainability (Azhar et al., 2022b).

To fully understand the accrual accounting system, it is important to examine its differences from the cash basis and cash-to-accrual accounting systems previously widely used in public sector financial management. The cash basis is a recording approach that recognizes revenue and expenditure only when cash is received or paid. This approach is relatively simple and easy to implement, but it has limitations in presenting complete financial information. The cash basis fails to fully reflect outstanding liabilities, outstanding receivables, or the condition of assets, so the resulting information tends to be limited to cash flow aspects (Amalia, 2023a).

As a transitional approach, many governments have adopted the cash-to-accrual basis, which combines characteristics of the cash and accrual bases. In this approach, revenue and expenditure are generally recognized on a cash basis, while assets, liabilities, and equity are recorded on an accrual basis. The cash-to-accrual basis is intended as a transitional stage to prepare systems, human resources, and regulations before implementing full accrual. While more informative than the pure cash basis, this approach still has limitations because it does not fully reflect the government's operational performance on an accrual basis.

Philosophically, the differences between the cash basis, cash-to-accrual, and full accrual accounting reflect a paradigm shift in public financial management. The cash basis focuses on budget compliance and cash flow control, which aligns with the public sector's traditional orientation toward spending control. In contrast, accrual accounting emphasizes the principles of economic and managerial accountability, where the government is viewed as an entity that must manage resources efficiently and sustainably. Full accrual requires the government to account not only for cash use but also for the economic impact of every public decision and policy (Amalia, 2023a).

Technically, these differences are reflected in the methods for recognizing, measuring, and reporting financial transactions. The cash basis requires relatively few complex estimates or judgments, while accrual accounting requires the use of accounting estimates, asset valuation, depreciation, and the recognition of long-term liabilities. Consequently, implementing full accrual requires an adequate accounting information system, clear accounting standards, and competent human resource capacity. Although more complex, accrual accounting provides long-term benefits in the form of more reliable, relevant, and useful financial information for public decision-making.

Thus, the basic concept of accrual accounting in the public sector is not only related to changes in recording techniques, but also reflects a fundamental transformation in how the government views and manages state finances. By recognizing revenue, expenses, assets, and liabilities on an accrual basis, the government can present a more comprehensive and accountable financial picture. The philosophical and technical differences between the cash basis, cash-to-accrual, and full accrual indicate that the adoption of accrual accounting is part of public sector reform efforts to achieve more transparent, performance-oriented, and sustainable financial governance.

Global Adoption Map of Public Sector Accrual Accounting

In order to improve fiscal transparency, government accountability, and the caliber of decision-making based on thorough financial data, accrual-based accounting is typically supported in the public sector as part of a larger public financial management reform agenda. International best practices, exemplified by standards like the International Public Sector Accounting Standards (IPSAS), created by the International Public Sector Accounting Standards Board, and the role of international organizations like the World Bank and the International Monetary Fund in advancing public sector governance reform, have a significant global impact on the adoption of accrual accounting. However, the reality of implementation on the ground reflects significant gaps between developed, developing, and low-income countries, both in terms of institutional readiness, human resource capacity, and information systems infrastructure support (Salato et al., 2024b).

In developed countries, the adoption of accrual accounting in the public sector has generally reached a relatively mature and well-institutionalized stage. Many countries in this category have implemented full accrual accounting at all levels of government, including the central government, local governments, and other public sector entities. This implementation is not limited to the preparation of accrual-based financial statements but is also integrated with budgeting systems, asset management, and the management of long-term liabilities such as pension obligations and contingent liabilities. In this context, accrual accounting serves as a strategic instrument to support public sector performance management and long-term fiscal control. The success of developed countries in adopting accrual accounting is generally supported by a stable legal framework, a strong public sector accounting profession, and reliable information technology systems. However, even in developed countries, the transition to full accrual accounting is not always without challenges, particularly related to the complexity of non-financial asset valuation and the need to change bureaucratic cultures long accustomed to the cash basis (Masoud, 2024b).

In contrast to developed countries, developing countries exhibit a more diverse and gradual adoption pattern. Some developing countries have successfully achieved full adoption of accrual accounting, particularly at the central government level, but still face limitations in consistent implementation at the local government level or in public service agencies. Other countries are at a partial adoption stage, where the accrual basis is applied to certain elements such as the recognition of fixed assets and liabilities, while revenue and expenditure recognition remains heavily influenced by the cash or cash-to-accrual basis. This often reflects a pragmatic transition strategy, taking into account limited administrative and fiscal capacity. In developing countries, accrual accounting reforms often go hand in hand with broader public financial management reforms, including modernizing the treasury system, strengthening public sector audits, and increasing budget transparency. However, reliance on external technical assistance and internationally funded projects sometimes poses a risk of lack of sustainability of reforms when such support ends (Polzer et al., 2021b).

Meanwhile, in low-income countries, the adoption of accrual accounting in the public sector is generally still at the planning or early implementation stage. The primary focus of public financial management in many low-income countries remains cash control, budget compliance, and basic reporting to meet minimum accountability requirements. In this context, the cash basis is still considered more realistic and appropriate to available administrative capacity. Efforts to transition to accrual accounting often face significant structural barriers, such as limited human resources with accounting competencies, weak government financial information systems, and challenges in inventorying and valuing state assets (Haija et al., 2021b). Therefore, for many low-income countries, the adoption of accrual accounting is seen as a long-term goal that requires thorough preparation, including strengthening the legal framework, training staff, and developing technological infrastructure.

When viewed by implementation stage, the global adoption map of accrual accounting in the public sector can be classified into three main categories: full adoption, partial adoption, and the planning stage. Countries in the full adoption category have comprehensively implemented the accrual principle in the recognition, measurement, and reporting of all elements of public sector financial reports. Countries in the partial adoption category demonstrate uneven implementation, both across government entities and across transaction types, resulting in a hybrid accounting system (Azhar et al., 2022c). Meanwhile, countries in the planning stage have generally expressed policy commitments to adopt accrual accounting, but implementation remains limited to the development of reform roadmaps and pilot projects.

Overall, the global adoption map of public sector accrual accounting reflects that this reform is not simply a technical accounting change, but rather a complex and contextual institutional transformation. The level of economic development, institutional capacity, and political and administrative dynamics of each country significantly influence the speed and quality of adoption. Therefore, a comparative understanding of adoption variations across different country groups is crucial to assess the extent to which accrual accounting truly contributes to improving public sector accountability and performance globally, and to formulate more realistic and sustainable reform strategies tailored to each country's national context.

Evaluating Implementation Progress in Developing Countries

Evaluating the progress of accrual accounting implementation in developing countries shows that this reform is a gradual, complex process, and heavily influenced by the structural conditions of each country. Unlike developed countries, which generally have established public administration foundations and financial information systems, developing countries often must undertake accrual accounting reforms simultaneously with fundamental improvements to public financial governance. Accrual accounting is seen as a crucial instrument for improving fiscal transparency, government accountability, and the quality of financial data-driven decision-making. However, in practice, implementation progress in developing countries often faces a gap between policy design and implementation on the ground. This gap reflects systemic structural challenges, not merely technical accounting issues (SHEHADEH, 2022).

One of the main challenges in implementing accrual accounting in developing countries is limited human resource capacity in the public sector. The transition from a cash or cash-based accounting system to a full accrual basis requires a deeper conceptual understanding of the recognition, measurement, and reporting of financial transactions (Gomes et al., 2025). Government officials are not only required to be able to record transactions on an accrual basis but also to understand the economic implications of long-term assets, liabilities, and obligations that were previously inadequately disclosed in cash-based financial statements. In many developing countries, this capacity remains limited due to a lack of ongoing dependence on outside consultants, significant personnel turnover, and public sector accounting education and training. Because of this, accrual accounting is frequently implemented in an administrative and formalistic manner, with no real use of accrual data in managerial decision-making or public policy.

In addition to The quality of historical data and human resource capabilities are major barriers to the advancement of accrual accounting implementation in underdeveloped nations. Reliable data on fixed assets, inventories, obligations, and long-term government commitments must be available for accrual accounting. However, the accuracy, consistency, and completeness of historical financial and non-financial data are major issues for many emerging nations. State asset inventories are frequently carried out in an incomplete or inconsistent manner by various government agencies. Because of this, asset assessment during the shift to accrual accounting is extremely complicated and runs the risk of yielding inaccurate results. This limited historical data not only hampers the preparation of initial accrual-based balance sheets but also potentially reduces the credibility of public sector financial reports in the eyes of stakeholders (Mahdavi et al., 2023a).

Another prominent structural challenge is the reliance on legacy systems for government financial management. Many developing countries still use financial information systems designed to support cash-based accounting, with limited flexibility to accommodate accrual accounting requirements. These systems are often fragmented, not integrated across ministries or agencies, and have limitations in processing asset and liability data (Azhar et al., 2022d). Efforts to modernize government financial information systems require significant investment, both in terms of funding, time, and changes to business processes. In this context, developing countries are often faced with the dilemma of maintaining relatively stable but inadequate legacy systems, or adopting new, more sophisticated systems that risk short-term operational disruptions.

Reliance on legacy systems also results in the low quality of accrual information produced during the initial implementation phase. Systems not specifically designed for the accrual basis tend to produce inconsistent data, require numerous manual adjustments, and are prone to recording errors. This situation increases the workload of government officials and increases the risk of delays in financial reporting. In the long term, if not systematically addressed, information system limitations can hinder the use of accrual accounting as an effective financial management tool, thus preventing the reform objectives from being optimally achieved (Polzer et al., 2021c).

In many cases, the progress of accrual accounting implementation in developing countries is also significantly influenced by the role of external actors, such as the World Bank and other international institutions that promote public financial management reforms through technical assistance and funding. This support plays a crucial role in accelerating the adoption of accrual accounting standards and practices, including those referenced in the International Public Sector Accounting Standards Board framework. However, heavy reliance on external support also poses sustainability challenges, particularly when reforms are not fully internalized within the bureaucratic structure and organizational culture of the public sector. Implementation that is too oriented towards compliance with international standards, without considering the local context, risks producing a complex accrual accounting system that is less relevant to national financial management needs.

The Impact of Accrual Accounting on Fiscal Transparency

The impact of accrual accounting implementation on fiscal transparency is a central issue in public sector financial management reforms in various countries. Fiscal transparency refers to the level of openness, clarity, and completeness of government financial information available to the public and stakeholders (Maha Putra & Sulistyowati, 2021). In this context, accrual accounting is seen as a crucial instrument for improving the quality of financial information because it presents a more comprehensive picture of the government's fiscal condition than the cash basis. By recognizing economic transactions and events when rights and obligations arise, accrual accounting broadens the scope of reported information, so transparency is no longer limited to cash inflows and outflows, but encompasses the full economic consequences of government policies and activities.

The implementation of accrual accounting contributes significantly to increasing the transparency of government financial information. In a cash-based system, financial reports tend to emphasize budget realization, leaving the public only informed about the amount of funds received and spent during a period (Castañeda-Rodríguez, 2022). Conversely, accrual accounting allows for more comprehensive disclosure of government revenues, expenses incurred, and economic resources controlled and obligations to be met. This information provides a broader context for assessing the government's fiscal performance, as the public can understand not only what has been paid or received, but also the government's future responsibilities and economic potential.

Fiscal transparency is also enhanced through accrual accounting's ability to disclose contingent liabilities and long-term government commitments. Contingent liabilities, such as government guarantees, potential legal claims, or obligations resulting from long-term cooperation contracts, are often not clearly visible in cash-based reporting. Under accrual accounting, these liabilities can be disclosed more systematically, either through recognition in the statement of financial position or through the notes to the financial statements (Castañeda-Rodríguez, 2022). This disclosure is important because contingent liabilities can create significant future fiscal burdens and impact the sustainability of state finances. With this information, the public and supervisory agencies can assess fiscal risks more accurately and critically.

In addition to contingent liabilities, accrual accounting enhances transparency by reporting previously under-exposed long-term liabilities. Government debt, post-employment benefit obligations, and other future maturities become an integral part of accrual-based financial statements. This information allows for a more realistic assessment of the government's fiscal position, as the burden of liabilities is no longer hidden behind the limitations of cash reporting. Thus, accrual accounting plays a role in preventing the practice of delaying the recognition of liabilities, which can mislead the public regarding the true financial condition.

The accuracy of the government's financial position also improves through the implementation of accrual accounting. The statement of financial position prepared on an accrual basis reflects the value of assets and liabilities more completely and systematically (Amalia, 2023b). The recognition of fixed assets, such as infrastructure, buildings, and public facilities, provides a clearer picture of state or regional assets. This information is not only important for accountability but also supports strategic decision-making regarding the management and utilization of public assets. When assets and liabilities are recognized and measured consistently, the government's financial position becomes more accurate and comparable across periods.

Furthermore, accrual accounting helps improve fiscal transparency through the consistency and comparability of financial information. Accrual-based accounting standards encourage the use of uniform measurement and disclosure principles, enabling comparisons between government financial reports across entities and across time periods. This comparability strengthens the oversight function of the legislature, audit institutions, and the public, as changes in fiscal conditions can be identified and analyzed more objectively. In the long term, greater transparency has the potential to increase public trust in state financial management (Maswadeh & Ababneh, 2024).

However, the positive impact of accrual accounting on fiscal transparency is not automatic. The quality of transparency depends heavily on the consistency of standards implementation, human resource capacity, and the effectiveness of the accounting information system used. If accrual accounting is implemented formally without adequate understanding, the resulting information has the potential to be difficult for the public to understand. Therefore, increasing fiscal transparency through accrual accounting needs to be balanced with efforts to simplify report presentation, strengthen narrative disclosures, and educate stakeholders so that the information presented can be optimally utilized.

Major Barriers to Implementation

The implementation of accrual accounting in the public sector often faces complex obstacles, not only related to technical aspects but also to human dimensions, organizational culture, and the availability of financial resources. One major obstacle that frequently arises is technical issues related to information systems. The implementation of accrual accounting requires IT systems capable of handling real-time transaction recording, integrating data from various organizational units, and providing comprehensive and accurate financial reports (Mahdavi et al., 2023b). However, many government agencies still use legacy systems that are incompatible with the accrual concept, requiring significant investment in technological infrastructure upgrades. Furthermore, inadequate historical data quality often poses a serious obstacle, as accrual accounting requires complete and well-documented financial information. Integration between systems is also challenging, especially when different departments have different reporting procedures and formats, making data reconciliation errors or information discrepancies more likely.

Beyond technical obstacles, human resources also play a crucial role in the implementation of accrual accounting. Public accountants and government finance staff often lack the competency to operate modern accounting systems and thoroughly understand accrual principles. Lack of specialized training, limited experience in managing accrual-based financial statements, and a lack of understanding of international public accounting standards make it difficult to prepare consistent and reliable reports. This situation is exacerbated by high workloads and low incentives to learn or adopt new practices, thus limiting motivation to develop competencies (Valimohammadi & Khodarahmi, 2021). In the long term, these limitations can impact the quality of government financial reports and undermine the credibility of the accounting system.

Resistance to change is also a significant obstacle. The organizational culture in many public agencies tends to be conservative, with established work patterns oriented towards traditional cash-based practices. The shift to accrual-based accounting requires fundamental changes in the way financial performance is recorded, reported, and evaluated. This resistance can arise from various levels, from management reluctance to take risks to staff who feel threatened by new procedures. Fear of failure, lack of trust in the new system, and uncertainty regarding the long-term benefits of accrual accounting slow down the adoption of reforms. Efforts to transform organizational culture require a systematic change management approach, transparent communication, and the active involvement of all stakeholders (Salato et al., 2024c).

A final, frequently encountered obstacle is budget constraints for reform. Implementing accrual accounting requires significant investment, not only in developing and maintaining IT systems, but also in staff training, adjusting procedures, and conducting internal audits to ensure data quality. Many governments, particularly in developing countries, face financial constraints, making it difficult to allocate adequate funds for comprehensive reforms. As a result, some agencies are forced to implement partial implementations or delay the adoption of accrual accounting, which in turn can hinder the achievement of optimal fiscal transparency and accountability goals. These budget constraints also pose a risk that the implemented system will be suboptimal, not fully integrated, and difficult to adapt to more complex financial reporting requirements in the future.

CONCLUSION

In conclusion, Global public sector use of accrual-based accounting shows tremendous advancements in efforts to raise the standard of public financial management, accountability, and openness. This reform has strengthened the foundation for long-term fiscal decision-making by encouraging governments to provide more thorough financial data on assets, liabilities, and public service expenses. Accrual-based accounting standards based on global frameworks like the International Public Sector Accounting Standards Board have been adopted or modified by a number of industrialized and developing nations although the depth and consistency of implementation vary. Differences in institutional contexts, administrative capacity, and reform objectives have led to inconsistent results, but in general, accrual-based accounting adoption is seen as a strategic step towards more modern and sustainable public sector governance.

However, this analysis demonstrates that formal policy decisions are not the only factors that drive the success of accrual-based accounting adoption; rather, they are strongly influenced by various technical, organizational, and cultural implementation barriers. Limited competent human resources, resistance to change, inadequate information system infrastructure, and the complexity of translating international standards into local practices remain key challenges in many countries. Therefore, public sector accounting reform must be viewed as a long-term process requiring sustained political commitment, investment in capacity development, and a contextual and adaptive approach. By systematically addressing these obstacles, the adoption of accrual-based accounting has the potential to make a more optimal contribution to improving performance, credibility, and public trust in public sector financial management.

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