

## **A Review of Relevant Theories in International Public Sector Accounting Standards Research and the Motivation for Theoretical Pluralism**

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### **Abstract**

*International Public Sector Accounting Standards (IPSAS) have been the focus of numerous research endeavours over the past years. Researchers of IPSAS have employed various theoretical underpinnings till now. However, academics frequently comment on the need for a proper theoretical framework for Public Sector Accounting (PSA) reform research. This study aims to review the theoretical foundations applied in IPSAS research. This study mainly focuses on the theories deployed in IPSAS-based PSA reform research and how these theories are employed to explain the phenomenon of PSA. Several publications from renowned journals published between 2000 and 2023 on the IPSAS were selected and reviewed in a structured way. The study finds that while half of the reviewed papers have utilized a single theory, a significant number of papers (28%) lack a theoretical framework. In addition, it is revealed that about 21% of reviewed papers have used multiple theories. The novelty of this study lies in the discussion of the theory used in IPSAS-based PSA research. Moreover, it discusses the motivation of multiple theories. This study enhances the body of knowledge of PSA and offers valuable insights for researchers, academicians, and PSA policymakers. In addition, the findings of this study contribute to the broader debate on the application of multiple theoretical lenses in IPSAS research.*

**Key Words:** Public Sector Accounting (PSA); International Public Sector Accounting Standards (IPSAS); Theory; Theoretical Pluralism

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## 1. Introduction

The application of accrual basis of accounting delivers more comprehensive information with relevant attributes that are unachievable under cash basis of accounting (Lapsley et al., 2009). However, the process of transition is not straightforward. The intrinsic characteristics of the public sector entities complicate the shift from a cash basis to an accrual basis. The IPSAS Board (IPSASB), previously referred to as the Public Sector Committee (PSC) of the International Federation of Accountants (IFAC), has developed a set of International Public Sector Accounting Standards (IPSAS) to streamline and support these modifications (Christiaens, Reyniers, & Rollé, 2010). Researchers argue that implementing and promoting IPSAS provides government with a well-understood and widely acceptable standard baseline (Sutcliffe, 2003). Accordingly, many countries have undertaken substantial reforms of their PSA practices (Abdulkarim, Umlai, & Al-Saudi, 2020). For example, IPSAS is mandatory for all members of the European Union. However, the implementation of accrual-based accounting in the government sector is imagined as a complicated and debated procedure (Bruno & Lapsley, 2018). Consequently, the adoption of accrual accounting in the public sector is a topic of global debate (Haija, AlQudah, Aryan, & Azzam, 2021). Academic scholars have shown a strong interest in accrual accounting, arguing that incorporating private-sector management techniques can enhance the efficiency of public-sector governance (Lokuwaduge, 2016). Hence, PSA reform has been the focus of numerous research efforts.

Moreover, New Public Management (NPM) paradigm has directed the PSA of various nations to undertake the restructuring procedure in the past thirty years (Adhikari, Kuruppu, & Matilal, 2013; Carpenter & Feroz, 2001; Harun, Bell, Van Peurse, & Eggleton, 2012; Lapsley, Mussari, & Paulsson, 2009). However, the reformation of PSA has been seen as a debatable issue in the literature. Scholars often use theoretical lenses to explain the context and background of the reformation. This paper aims to review the theories used in the PSA reformation, using IPSAS as a foundational platform. This study discusses the context of using a particular theory and the motivation of multiple theories as well.

Theory provides researchers with a conceptual lens to interpret complex phenomena (Collins & Stockton, 2018). In PSA research, nearly half of the studies employed an explicit theoretical framework compared to around one-third of the

papers that did not (Jacobs, 2012). Jacobs (2016) stated that public sector accounting studies mainly draw on four theoretical frameworks: the New Public Management (NPM) paradigm, Accountability Theory, Critical Theory, and Neo-Institutional Theory (NIT). After a systematic review of eighty articles, Schmidhuber et al. (2022) commented that many authors have employed various theoretical lenses to explain the causes, effects, and transitions of public accounting systems towards IPSAS-like accrual accounting. They further stated that the institutional theory or the contingency model has predominantly been used to describe the factors affecting IPSAS implementation, whereas the NPM paradigm has frequently been applied to examine the perceived benefits of IPSAS (Schmidhuber, Hilgers, & Hofmann, 2022).

In contrast, a considerable number of studies on PSA do not refer to or align their analysis with an appropriate theoretical framework, (e.g., Christiaens, Reyniers, & Rollé, 2010; Nakmahachalasint & Narktabtee, 2018; Thi Thanh et al., 2020). Moreover, several studies employ multiple theoretical perspectives to better understand the complexity of public sector undertakings (Jacobs, 2012), even though these integrated theories may not share the same epistemological and ontological views. Consequently, PSA reform research lacks a coherent theoretical basis. The shortage of a reliable theoretical foundation is a significant stumbling block to PSA research, particularly when examining the accrual-based accounting and its diverse implications (Bergmann et al., 2019). Previous studies have employed various theories, including the Neo-institutional theory (NIT), Contingency theory, NPM paradigm, Agency theory, and Stakeholder theory- yet these theories are not well developed for PSA research. As a result, testing the theories may not generate the expected outcomes (Schmidhuber et al., 2022).

There are several review papers in the field of PSA literature. Many of these studies focus on reviewing the implementation of IPSAS (e.g, Liberato et al., 2023; Saleh et al., 2023; Boolaky Doorgakunt et al., 2022; Polzer et al., 20221), whereas only a few studies review the theory of PSA (Bruns et al., 2020; Jacobs, 2012). In the review of theory, Bruns et al (2020) studied the prospects of theorising the PSA. In contrast, Jacobs (2012) explored the use of theory in PSA and focuses on the debate between theoretical purity and pluralism. The present study attempts to move beyond the prior studies that merely discuss the theories applied in PSA research. Instead, we focus on the context in which theories are used. Consequently, it sheds light on the motivation for using multiple theoretical

perspectives. Further to this, this study considers papers that take IPSAS only as a central ground for PSA reforms

The remainder of the paper is organised as follows. Section 2 elaborates on the research methodology of this study. Section 3 presents an overview of the theories used in IPSAS-based PSA studies and explains the context in which these theories are applied. Section 4 provides a discussion on the implications of theories, including the motivation for using multiple theories. Finally, Section 5 concludes the paper.

## **2. Research Methods**

The study primarily focuses on relevant theories deployed in IPSAS research and their practical applications by reviewing the papers published from 2000 to 2023. Several notable scholarly databases have been examined to identify contemporary and influential research on PSA. First, extensive searching is conducted using the search engine Google Scholar. The Web of Science database is also searched to ensure the selection of high-quality papers for the review. Two terms have been used to search for the articles “International Public Sector Accounting Standards”. In addition, “IPSAS” was also applied as a search term. We have searched the terms both in the ‘*anywhere on the article*’ and ‘*in the title of the article*’. Where the first search finds many papers, searching *in the title of the article* finds 4,800 papers.

This study addresses both the central and local levels of PSA research. The selected papers have been checked to ensure their pertinent to the public sector accounting. The IPSAS-based research that has employed at least one theory is given particular attention. The study also examines several contemporary studies that employed no theories. Conference papers were not considered in the study. Based on these criteria, a total of three hundred (300) articles were initially identified. Then, the abstracts of all the identified papers were reviewed. However, we carefully evaluated and reviewed fifty-seven (57) publications to achieve the purpose of the paper. The selected articles were examined critically, considering the objective of the study. Accordingly, this study reviews the most significant Public Sector Accounting Research (PSAR) research papers in the field of IPSAS.

### 3. Analysis and Findings

We have presented the analysis and the findings in the following two sections.

#### 3.1 Major theories and frequency

In Table 1, our analysis reveals that about 28% of the papers did not apply any theory in IPSAS-based reformation research, which is almost similar to the findings of Jacobs (2012), who reported that about one-third of PSA research papers lacked an appropriate theoretical foundation. In addition, about 21% of the papers used multiple theories. Surprisingly, Institutional theory has been used by most of the papers (24.56%). In contrast, NPM has not been used alone in any of the reviewed papers.

**Table 1:** Theory used in the papers

| Theory  | Number of Papers | Percentage |
|---|------------------|------------|
| Single Theory   |                  |            |
| Institutional Theory  | 14               | 24.56%     |
| Contingency Theory  | 4                | 7.02%      |
| New Public Management   | 0                | 0.00%      |
| Stakeholder Theory  | 1                | 1.75%      |
| Diffusion of Innovation Theory  | 4                | 7.02%      |
| Agency Theory   | 2                | 3.51%      |
| Other   | 4                | 7.02%      |
| Total Single Theory   | 29               | 50.88%     |
| Multiple Theory   | 12               | 21.05%     |
| No Theory   | 16               | 28.07%     |
| Total Paper   | 57               | 100.00%    |
| *Other theories include Actor-Network theory, Legitimacy theory, IMI model, and Transparency International Corruption Perceptions Index (CPI) |                  |            |

Source: Authors' own work

#### 3.2 Discussion on the use of theories

##### *Institutional Theory*

Neo-institutional theory (NIT) helps explain how and why businesses interact with their operating environments and how this interaction impacts their accounting

practices (Adhikari & Mellemvik, 2010). NIT focuses on organisational structures, including cognitive, normative, and regulatory elements, as well as the norms, rules, and routines that serve as authoritative standards for social practice (Aribaba, Yakibi, Abdul-Lateef, & Ahmodu, 2020). The NIT demonstrates how nations and organisations respond to pressure to adopt new rules, such as IPSAS (Haija et al., 2021). In an organisation, changes may result from multiple external influences, with the principal objectives being to gain legitimacy and support from outsiders and increase the involvement of both external stakeholders and internal players (Gomes, Fernandes, & Carvalho, 2015). The institutional approach of DiMaggio and Powell (1983) highlighted coercive isomorphism, normative isomorphism, and mimetic isomorphism. DiMaggio and Powell (1983) stated that institutional incentives eventually cause organisations to behave in an isomorphic way, whereby each organisation strives to resemble the others to increase its legitimacy and adhere to socially acceptable norms and practices (DiMaggio & Powell, 1983). Thus, NIT matches the PSA setting and research (Argento, Peda, & Grossi, 2018).

Argento, Peda, and Grossi (2018) demonstrated how the participation of influential actors facilitated the smooth adoption of accounting systems that complied with IPSAS. Similarly, Rajib, Adhikari, Hoque, and Akter (2019) argued that the PSA reform routes in emerging economies depend on the level of participation in changes by professional accountants and their associations. Their study emphasised the responses of many parties involved in PSA reforms. Mnif Sellami and Gafsi (2019) found that external public funding (coercive isomorphic pressure) and the level of external frankness (mimetic isomorphic pressure) have favourable effects on the adoption of IPSAS. They demonstrate that education level (normative isomorphic pressure) is unimportant. Harun, Peurseem, Eggleton, and Locke (2016) commented that the desire to emulate a similar procedure in developed countries was another factor in adopting the accrual basis. Accordingly, implementing IPSAS-based reforms may be supported by considerable normative influences. Organisations also try to follow the social norms, processes, practices, and structures accepted as legitimate (Adhikari & Kuruppu, 2011). Boolaky et al. (2019) also found that coercive, mimetic, and normative institutional forces influence the speed at which IPSAS can be adopted.

Contrary to earlier research that looked at the amount of adoption, Boolaky et al. (2019) used the theory to assess the impact of institutional factors on the time it takes to deploy IPSAS. Jones and Caruana (2016) employed the theory to evaluate

why the Malta government adopted full IPSAS. Therefore, Neo-institutional theory (NIT), propagated by Meyer and Rowan (1977) and DiMaggio and Powell (1983), has been employed in accounting research (Carpenter & Feroz, 2001) because of its capacity to shed light on an organisation's external components. Thus, NIT has been the theoretical basis, as it is one of the most influential theoretical lenses in the government sector (Rajib et al., 2019). However, the memetic isomorphism of NIT has been less explored in IPSAS research.

### ***Contingency theory and Lueders FMR model***

Lüder (1992) looked at the usage of contingency theory to build the contingency model on Government accounting modernisation to recognise the social-political organisational environment and its effect on the PSA system. The theory explains the shift from conventional PSA to a far better informative approach. The model attempts to illustrate why PSA systems, techniques, and practices vary from country to country and why the pace of modernisation varies among nations. The model shows that three contextual variables - stimuli, sociopolitical factors, and organisational factors - are likely to influence two dominant variables: users of PSA information and manufacturers of information. This complex interaction of situational and mediating elements brings about change, either positively or negatively. While implementation difficulties impact change, they ultimately determine how well an innovation process operates (Godfrey, Devlin, & Cherif Merrouche, 2000). A new version of LUDER's contingency model was later created by him, known as Lüder (2002) Financial Management Reform (FMR) model, which depicts stimuli, key actors, the institutional organisation, and the implementation policy for the accomplishment or malfunction of the PSA (Oliorilanto, 2008). Several studies employed the Luders Contingency model in PSAR (Brusca & Martínez, 2016; Godfrey, Devlin, & Cherif Merrouche, 2000; Mustapha, Ku Ismail, & Ahmad, 2017; Oliorilanto, 2008). Considering the FMR model of Luder 2002, Brusca and Martínez (2016) found that stimuli have a positive impact on the application of IPSAS. On the other hand, adoption barriers negatively impacted the implementation process. In reforming their systems, governments may discover stimuli to accept IPSAS, but some barriers can hamper the process (Brusca & Martínez, 2016). Using the Luder contingency model, Mustapha et al. (2017) found that Internal audit functions' quality and personnel expertise are viewed as implementation barriers to adopting accounting

innovations in the public sector, which could ultimately prevent the development of quality financial reporting.

### ***New Public Management (NPM)***

Jacobs (2016) reported that NPM is the second-best-employed theory in PSAR. Our review also reveals that NPM has been incorporated into multiple theories, rather than serving as the sole theory, in IPSAS-based PSA research. The preliminary thoughts behind NPM are primarily drawn from economic and management theories (Lokuwaduge & De Silva, 2020). The NPM paradigm combines fourteen theoretical origins. NPM basically is a combination of values (Bergmann et al., 2019). The NPM proposes that governments adopt enterprise-like accounting practice standards, mainly through the implementation of accrual accounting (Bruno & Lapsley, 2018). According to Lüder (1992), the PSA reforms aim to alter the PSA into more informative, transparent, and accountable structures to offer outstanding stakeholder benefits. The NPM outline has led to an escalating demand for maximum levels of efficiency in the public sector (Hood, 1995). The rise of NPM-driven modernisations and the inadequacies of the cash-based system are considered significant stimuli for reforming PSA (Christiaens et al., 2010; Lüder, 2002). Public accounting modifications and the adoption of business-like innovations typically result from the need for more comprehensive and quantitative information on government action (Argento & van Helden, 2010; Hood, 1995). So, there is a growing agreement on the benefits of accounting reforms from the spirit of NPM.

NPM suggests a shift from a bureaucratic to a sensible management style (Lapsley et al., 2009) and the transition from traditional cash-based to accrual-based accounting systems in the public sector (Lapsley et al., 2009). Therefore, most countries have reformed accounting systems to restore citizens' trust in governments (Brusca & Martínez, 2016). Countries implementing IPSAS as a part of broader financial management and public sector reforms align with the NPM doctrine (Babatunde, 2017). In the PSA research, many studies have applied the New Public Management (NPM) paradigm to explain the implementation benefits of IPSAS or PSA reforms and argued that the restructuring modernises the state and enhances decision-making and accountability. Therefore, the NPM paradigm remains highly relevant within PSA research (Steccolini, 2018a).

### ***Stakeholder Theory***

Stakeholder theory is built on the belief that values are the critical components of any firm. Thus, executives must explain to stakeholders the value they create to accomplish their entrusted responsibilities. One of the most significant ways to communicate the value an organisation generates to stakeholders is through accounting information. Ademola, Ben-Caleb, Madugba, Adegboyegun, and Eluyela (2020) asserted that the concerned parties confirm the institution's effectiveness through a detailed analysis of financial records. In this regard, IPSAS deployment is essential for efficiency, accountability, and performance evaluation. They stated that different parties have a consistent and persistent interest in a financially viable government sector. Normative stakeholder theory concentrates on moral standards and ethics to guide an institution. In contrast, instrumental stakeholder theory focuses on the impacts of stakeholder supervision on accomplishing organisational goals such as economic performance and profitability (Kaur & Lodhia, 2018). Kaur and Lodhia (2018) also stated that Stakeholder theory has been at the centre of sustainability accounting and reporting research as it emphasises the broader accountability of public sector organisations. Accordingly, stakeholder theory offers a valuable framework that focuses on stakeholders' influence and interactions with councils. As a consequence, many PSARs have employed the Stakeholder Theory.

### ***Diffusion of Innovation Theory***

Rogers, Singhal, and Quinlan (2014) provided a modified and improved diffusion model. Their updated model views the spread of innovations as a repetitive social process rather than as a straightforward linear communication system (Godfrey, Devlin, & Cherif Merrouche, 2000). The diffusion model has two phases. The induction phase and the implementation phase each contain several steps. This model was further improved by Ezzamel, Hyndman, Johnsen, and Lapsley (2014). They stated that the diffusion process begins with previous knowledge. The second stage of the diffusion process is the knowledge of the innovation among the policy and decision-makers. The diffusion of innovations would not advance to the next step without prior knowledge of such innovations. Then, in the Persuasion phase, different stakeholders deliver perceptions toward the innovations that are either favourable or unfavourable. The final stage of the diffusion model is the execution of the innovation.

The public sector has seen a lot of accounting innovation recently. Many organisations within the public sector have adopted new methods, e.g., IPSAS or accrual accounting. Although these practices are often regarded as best practices, their implementation in PSA may lead to unintended consequences, which can be referred to as pro-innovation bias (Abdulkarim et al., 2020; Adhikari, Kuruppu, & Matilal, 2019). Thus, it is sometimes unclear amongst the decision-makers what exactly motivated these modifications and how they should carry out those innovations. The mechanisms involved in bringing about these changes are interesting since many organisational changes result from the dissemination and diffusion of innovations. Studies on the diffusion of innovations provide insights into why they may spread within organisations. Thus, it is clear that a robust communications system with internal and external contacts is crucial to the diffusion process if new accounting innovations are intended to be transferred and dispersed throughout large and complex public sector firms. Working members of professional organisations can share this information throughout their organisations through their interactions with internal and external connections. Adhikari et al. (2015) explained the internal and external aspects associated with accepting and implementing the Cash-Basis IPSAS in the Nepali public sector. They advocated the usefulness of the diffusion theory in PSAR. They argued that the dynamic nature of the public sector environment makes understanding the diffusion process features crucial. In the PSA research, Diffusion theory has thus been employed in many PSA studies by many scholars because of its capacity to illuminate the unique attributes of the public sector and to deepen our understanding of PSA innovations like cash or accrual-based IPSAS (Adhikari, Kuruppu, Ouda, Grossi, & Ambalangodage, 2021; Adhikari et al., 2015). Diffusion theory has therefore been advocated for public sector accounting research due to its ability to shed such distinctive traits and extend our knowledge of public sector accounting reforms used in many PSARs.

### *Agency theory*

Governments and political leaders are the representatives of the public. Consequently, the government should provide well-timed, relevant, comprehensive, and trustworthy financial statements to the citizens. In addition, donor groups also see the government or their organisations as their agents. They also expect financial details to know how the money given to them was spent (Obara & Nangih, 2017). Alghizzawi and Masruki (2020) examined the benefits

of IPSAS adoption using agency theory; the study stated that the relationship between the government (agent) and holders of concerns (principals) is the supervision of public resources. They argue that the application of IPSAS aims to reveal financial information that is beneficial for evaluating the country's financial position to the resource contributors. Moreover, the implementation of IPSAS holds the government accountable for its financial decisions and reduces corruption, increasing the trust between the principals and the agent. In this context, politicians (agents) are expected to act in the interests of citizens. Nevertheless, a conflict of interest between them can arise when politicians engage in opportunistic behaviour. Therefore, adopting formal arrangements is necessary to limit their ability to engage in opportunistic activities. As the application of accrual-basis systems is expected to improve accountability and strengthen transparency, Cuadrado-Ballesteros, Citro, and Bisogno (2020) stated that it can reduce the information advantage of politicians over residents, which can encourage politicians to act in the interest of voters. Many scholars have deployed Agency theory on the aforementioned ground to explain the benefits of IPSAS adoption or the implementation of accrual accounting in the public sector (Alghizzawi & Masruki, 2020; Cuadrado-Ballesteros et al., 2020; Obara & Nangih, 2017).

### 3.3 Theoretical Underpinnings deployed in IPSAS Research

Table 2 presents an overview of the theories applied in PSAR research and their corresponding methodological linkages.

Table 2: A Scenario of Current Theoretical Underpinnings of IPSAS

| Authors                                       | Journal Name  | Purpose and Context                             | Methods                             | Theory Employed    |
|---|---|---|-------------------------------------|--------------------|
| Alghizzawi and Masruki (2020)                 | Journal of Modern Accounting and Auditing             | IPSAS adoption benefits.                        | Review Paper                        | Agency Theory      |
| Obara and Nangih (2017)                       | Journal of Advances in Social Science and Humanities. | IPSAS effects on government reporting.          | Quantitative (Questionnaire Survey) | Agency Theory      |
| Ademola, Ben-Caleb, Madugba, Adegboyegun, and | International Journal of Financial Research           | IPSAS adoption and financial reporting quality. | Quantitative (Questionnaire Survey) | Stakeholder Theory |

| Authors                                     | Journal Name  | Purpose and Context   | Methods   | Theory Employed                          |
|---|---|---|---|--|
| Eluyela (2020)                              |   |   |   |  |
| Babatunde (2017)                            | International Journal of Economics, Business and Law.         | Factors contributing to the slow implementation of IPSAS.             | Quantitative (Questionnaire Survey)                           | NPM<br>Stakeholders Theory               |
| P. S. Gomes, Fernandes, and Carvalho (2015) | International Journal of Public Administration                | IPSAS adoption and stakeholders' perception.                          | Qualitative Case Study (Interviews and Documentary Analysis)  | NPM<br>Institutional Theory              |
| Bruno and Lapsley (2018)                    | Accounting, Auditing & Accountability Journal                 | Determination of accrual accounting policy.                           | Qualitative Case Study (Observation and Documentary Analysis) | Latour's Theory<br>NPM                   |
| Lokuwaduge and De Silva (2020)              | International Journal of Public Sector Management             | Determinants of PSA reforms.  | Qualitative Case Study (Documentary Analysis)                 | NPM<br>Contingency Model of Lüder (2002) |
| Brusca and Martínez (2016)                  | International Review of Administrative Sciences               | The stimuli and barriers to adopting IPSAS and its benefits.          | Quantitative<br>Employed SEM                                  | Contingency Model of Lüder (2002)        |
| Oliorilanto (2008)                          | International Journal of Governmental Financial Management    | The reasons for the failure of the accrual model implementation.      | Qualitative Approach  | Luder's Contingency Model                |
| Mnif and Gafsi (2020)                       | Meditari Accountancy Research                                 | IPSAS-based disclosures and factors influencing the disclosure level. | Quantitative Documentary Analysis                             | Contingency Theory Framework             |
| Abdulkarim, Umlai, and Al-Saudi (2020)      | Journal of Accounting & Organizational Change                 | Readiness of the public sector in adopting IPSAS.                     | Quantitative Questionnaire Survey                             | Innovation Diffusion Theory              |
| Adhikari, Kuruppu, Wynne, and Ambalango     | The Public Sector Accounting, Accountability, and Auditing in | Implementation of Cash-Basis IPSAS.                                   | Qualitative Document Analysis and Semi-                       | Diffusion Theory                         |

| Authors  | Journal Name                                      | Purpose and Context                                    | Methods  | Theory Employed   |
|--|---|--|--|---|
| dage (2015)  | Emerging Economies                                |  | structured Interviews.                                       |   |
| Jackson and Lapsley (2003)                                 | International Journal of Public Sector Management | How PSA changes affect the public sector.              | Qualitative Approach Survey                                  | Diffusion Theory  |
| Adhikari, Kuruppu, Ouda, Grossi, and Ambalango dage (2021) | International Review of Administrative Sciences   | Implementation of PSA reforms in developing economies. | Qualitative Document Analysis and Semi-structured Interviews | Diffusion Theory  |
| Aribaba, Yakibi, Abdul-Lateef, and Ahmodu (2020)           | ACTA UNIVERSITATIS DANUBIUS                       | Perception of IPSAS                                    | Quantitative Questionnaire Survey                            | Institutional Theory  |
| Boolakay, Mirosea, and Omoteso (2019)                      | International Journal of Public Administration    | Speed and drivers of IPSAS implementation.             | Quantitative Documentary Analysis                            | Neo-institutional Theory  |
| Adhikari, Kuruppu, and Matilal (2013)                      | Accounting Forum                                  | PSA reforms implementation in LDCs.                    | Qualitative Unstructured Interviews and Document Analysis    | Neo-institutional Theory  |
| Argento, Peda, and Grossi (2018)                           | Public Administration and Development             | IPSAS Adoption.  | Qualitative Case Study Documentary Analysis and Interview    | Neo-institutional Theory<br>Institutional Logics<br>Institutional Entrepreneurs |
| S. U. Rajib, Adhikari, Hoque, and Akter (2019)             | Journal of Accounting in Emerging Economies       | Implementation of Cash Basis IPSAS in Bangladesh.      | Qualitative Document Analysis Unstructured Interviews        | Neo-institutional Theory  |
| Adhikari and Mellemvik (2010)                              | Research in Accounting in Emerging Economies      | South Asian countries' IPSAS move.                     | Qualitative Document Analysis                                | Neo-institutional theory  |
| Mnif Sellami and   | International Journal of                          | IPSAS adoption factors.                                | Quantitative   | Institutional Theory  |

| <b>Authors</b>                                  | <b>Journal Name</b>   | <b>Purpose and Context</b>                                      | <b>Methods</b>   | <b>Theory Employed</b>  |
|---|---|---|--|---|
| Gafsi (2019)                                    | Public Administration   |   | Document Analysis  | Theory of Economic Regulation   |
| Thi Thanh, Thanh, Thanh, and Thi Thuy (2020)    | Problems and Perspectives in Management   | Accrual accounting reform factors.                              | Quantitative Questionnaire Survey, SEM                           | No theory specifically linked   |
| L. Mbelwa (2015)                                | The Public Sector Accounting, Accountability and Auditing in Emerging Economies | Influence of factors on the use of accounting information.      | Quantitative SEM Questionnaire Survey                            | Institutional Theory, with its branches, NIS and OIE                              |
| Baskerville and Grossi (2019)                   | Journal of Public Money & Management  | Glocalization surrounding the process of the adoption of IPSAS. | Qualitative Approach   | Neo-institutional Theory. Sociological, Economic, and Historical Institutionalism |
| Harun, Bell, Van Peursesem, and Eggleton (2012) | Journal of Accounting & Organizational Change                                   | Institutionalization of accrual accounting.                     | Qualitative Case Study Documentary Analysis Interviews           | New Institutional Sociology (NIS)   |
| Ada and Christiaens (2018)                      | Transylvanian Review of Administrative Sciences                                 | Reasons for the shortfalls of the IPSAS.                        | Qualitative Document Analysis and Semi-Structured Interview      | Neo-institutional Theory  |
| Harun, Peursesem, Eggleton, and Locke (2016)    | University of Canberra  | Process and effects of IPSAS adoption.                          | Qualitative Document Analysis and In-depth Interview             | New Institutional Theory The Institutionalization Process Model (IPM)             |
| L. H. Mbelwa, Adhikari, and Shahadat (2019)     | Journal of Accounting in Emerging Economies                                     | Accrual accounting reform factors.                              | Quantitative Techniques: Explanatory and cross-sectional Survey. | New Institutional Theory Decision of Usefulness                                   |

| <b>Authors</b>                                | <b>Journal Name</b>  | <b>Purpose and Context</b>   | <b>Methods</b>   | <b>Theory Employed</b>   |
|---|--|--|--|--|
| Haija, AlQudah, Aryan, and Azzam (2021)       | Accounting   | IPSAS success factors.   | Quantitative Questionnaire Survey                                    | New Institutional Theory   |
| Brusca, Gómez-villegas, and Montesinos (2016) | Public Administration and Development                          | IPSAS implementation's Stimulus and its effects.   | Qualitative Approach Document Analysis Semi-structured Interviews    | NPM New Institutional Theory Lueder FMR Contingency Model  |
| Bakre, McCartney, and Fayemi (2022)           | Critical Perspectives on Accounting                            | Implications for Nigeria's indebtedness of neoliberalism as a neo-colonial dependency concept and International Public Sector Accounting Standards (IPSAS) | Qualitative Methodology Interviews and Archival documents.           | No theory, specifically linked   |
| Harun, Eggleton, and Locke (2021)             | Journal of Accounting & Organizational Change                  | The institutionalisation of IPSAS  | Case study approach Documentary source and interview                 | IMI Model  |
| Alozie (2020)                                 | Journal of Public Budgeting, Accounting & Financial Management | financial reporting quality during the pre-IPSAS implementation era  | Secondary Sources Ex-post "facto" analysis                           | Rules-of-law Theory Public Finance Management Theory Financial information asymmetry phenomenon of the Agency Theory |
| Kowalczyk and Caruana (2022)                  | International Journal of Public Sector Management              | How two EU's "fit" into the harmonization project and the implementation of IPSAS  | Explanatory multiple case study, Qualitative interpretative approach | Legitimacy Theory Neo-institutional Theory   |
| Jones and Caruana (2016)                      | International Review of Administrative Sciences                | IPSAS adoption decisions by the Maltese government   | Documentary Research, Interviews                                     | Neo-Institutional Theory   |

| <b>Authors</b>                              | <b>Journal Name</b>   | <b>Purpose and Context</b>   | <b>Methods</b>  | <b>Theory Employed</b>  |
|---|---|--|---|---|
| Polzer, Grossi, and Reichard (2022)         | ACCOUNTING FORUM  | Reasons for implementing unaltered IPSAS   | Documentary Analysis<br>Interview   | No theory, specifically linked                                  |
| P. Gomes, Brusca, and Fernandes (2019)      | Public Money & Management                                       | Process of implementing the IPSAS for consolidated reporting   | Documentary Analysis<br>Interview   | No theory, specifically linked                                  |
| Alesani, Jensen, and Steccolini (2012)      | International Journal of Public Sector Performance Management   | The drivers and reasons for public sector organisations' accounting reforms  | Exploratory case study<br>Documentary Analysis<br>Interview<br>Observations | Lueder's (2002) Financial Management Reform Model               |
| Polzer and Reichard (2020)                  | International Journal of Public Sector Management               | structure and analyze the discussion around EPSAS and IPSAS.   | Prior research<br>Documentary Analysis                                      | New Institutional Theory  |
| Gómez-Villegas, Brusca, and Bergmann (2020) | Public Money & Management                                       | process of reform of public financial management in Latin America  | Documentary Analysis<br>Interview   | New Institutional Theory  |
| Laswad and Redmayne (2015)                  | Australian Accounting Review                                    | New Zealand (NZ) preferred reporting framework between IFRS and IPSAS  | Survey  | No theory, specifically linked                                  |
| Tawiah (2023)                               | Public Organization Review                                      | Impact of the IPSAS adoption on Governance quality.  | Secondary panel data, with GMM  | No theory, Specifically Linked                                  |
| Jorge, Nogueira, and Ribeiro (2021)         | Journal of Public Budgeting, Accounting & Financial Management, | understanding the action of pilot entities and the role in the overall reform process of public sector accounting (PSA). | quantitative research<br>Survey   | New institutional theory<br>Institutional logics                |
| Jorge, Brusca, and Nogueira (2019)          | Journal of Comparative Policy Analysis: Research and Practice   | IPSAS Adoption Process   | Literature review<br>Documentary Analysis                                   | Actor-Network Theory.   |
| Goddard, Assad, Issa, Malagila, and         | Critical Perspectives on Accounting                             | The paper summarises and attempts to theorise the findings of a series of research projects                              | Interview grounded theory methods   | The 'two publics' theory<br>Legitimacy Theory<br>loose coupling |

| <b>Authors</b>   | <b>Journal Name</b>  | <b>Purpose and Context</b>   | <b>Methods</b>                                     | <b>Theory Employed</b>  |
|--|--|--|--|---|
| Mkasiwa (2016)   |  | investigating accounting practices across the public sector in Tanzania.   |  | institutional theory.   |
| Chow and Aggestam Pontoppidan (2019)                                   | Journal of Public Budgeting, Accounting & Financial Management | analyse and understand the UN System's adoption of IPSAS   | content analysis of a publicly accessible document | Legitimacy Theory   |
| Hamed-Sidhom, Hkiri, and Boussaidi (2022)                              | <i>Journal of Financial Crime</i>                              | the effect of IPSAS adoption,  | panel regression analysis                          | Transparency International (TI) Corruption Perceptions Index (CPI)                          |
| Caruana and Grima (2019)   | Journal of PUBLIC MONEY & MANAGEMENT                           | IPSAS adoption   | Case Study Documentar y Analysis Interview         | No theory, specifically linked  |
| P. Gomes et al. (2019)   | Journal of PUBLIC MONEY & MANAGEMENT                           | The process of implementing the IPSAS for consolidated reporting in the two countries  | Documentar y Analysis Interview                    | No theory, specifically linked  |
| Cuadrado-Ballesteros and Bisogno (2021)                                | Journal of PUBLIC MONEY & MANAGEMENT                           | the quality of governance, and public sector accounting reforms  | Quantitative Secondary data Survey                 | No theory, specifically linked  |
| Christiaens, Reyniers, and Rollé (2010)                                | International Review of Administrative Sciences                | investigates the degree to which European governments implement IPSAS and explores the factors contributing to adoption.                           | Survey on Experts                                  | The NPM paradigm was discussed in the introduction; however, No theory, specifically linked |
| Christiaens, Vanhee, Manes-Rossi, Aversano, and Van Cauwenberge (2015) | International Review of Administrative Sciences                | examines how much central and local governments worldwide have adopted accrual accounting, similar to IPSAS, and what factors affect its adoption. | Questionnaire Survey on Experts                    | The NPM paradigm was discussed in the introduction; however, No theory, specifically linked |

| Authors  | Journal Name  | Purpose and Context   | Methods  | Theory Employed                |
|--|---|---|--|--------------------------------|
| Kartiko, Rossieta, Martani, and Wahyuni (2018) | Brazilian Administration Review   | Government accrual-based IPSAS deployment and central government budgetary openness are examined in this study.   | Content Analysis and Confirmatory Factor Analysis (CFA), panel data Regression | No theory, specifically linked |
| Alshujairi (2014)                              | Research Journal of Finance and Accounting                                  | explores the rationale and needs for applying IPSAS, the obstacles faced by Iraqi public financial management, and the variables that encourage its adoption. | A qualitative approach was employed to survey accountants.                     | No theory, specifically linked |
| Brusca, Montesinos, and Chow (2013)            | Public Money & Management   | global adoption of International Public Sector Accounting Standards (IPSAS).  | Documentary Analysis   | No theory, specifically linked |
| Saleh et al. (2023)                            | Journal of Research and Practice in Public Sector Accounting and Management | explores the prerequisites, difficulties, and challenges of applying the accrual-based IPSAS.   | archival approach  | No theory, specifically linked |
| (Tawiah, 2023)                                 | Public Organization Review  | Examines the impact of IPSAS on governance quality carried out in 107 countries.  | Quantitative approach, Documentary Analysis                                    | No theory, specifically linked |

#### 4. Discussion

Scholars have argued that accrual-based accounting reform will increase public transparency and effectiveness (Thi Thanh et al., 2020). Scholars also stated that adopting IPSAS is a significant driver for harmonising the PSA system (Brusca & Martínez, 2016; Christiaens et al., 2010), inspired by the NPM framework. Despite extensive support for modernising PSA in line with IPSAS, the successful execution of IPSAS faces challenges and has ultimately opened up various paths (M. S. U. Rajib & Hoque, 2016). Countries are struggling to match their PSA methods with worldwide standards (Mnif Sellami & Gafsi, 2019). To date, numerous PSA studies have attempted to identify and evaluate the complex and fragmented reform processes. Although theoretical perspectives enable researchers

to analyse these processes more appropriately, our findings demonstrate that many studies lack a clear theoretical foundation.

Again, many studies on IPSAS, mostly in developing nations, use NIT to explain the motivations for and factors affecting the reformation process, mainly through coercive and normative pressures. However, NIT intended to satisfy the needs of developed countries with well-developed accounting infrastructures, professional accounting education and training (Adhikari et al., 2013; Adhikari & Mellemvik, 2010; Harun, Bell, et al., 2012; S. U. Rajib et al., 2019). In the context of developing nations, institutional change pressures cannot guarantee the immediate and complete adoption of IPSAS. The results of the institutional pressure-driven reform process may vary between governments (Albu, Albu, & Alexander, 2014). The context peculiar to each country helps to explain how much accounting has evolved (Argento et al., 2018; McLeod & Harun, 2014).

Although coercive and normative pressure can influence the internal institutional and contingency aspects of organisations (Mbelwa, 2015), Ada and Christiaens (2018) argue that coercive force alone is insufficient to modify internal organisational structures and enhance substantive performance. Instead, such pressures lead to dissociation in financial reporting. Therefore, the theoretical lens of factors influencing accrual reform or IPSAS implementation involves institutional and contingency factors. Even though an organisation's internal institutional and contingency factors can influence the accrual reform, these factors are also subject to variation because of external institutional pressure-related factors. Thus, the organisation's internal institutional and contingency factors can be shaped by coercive, memetic, and normative pressure. Thus, neither NIT nor Contingency theory adequately explains the PSA phenomena, particularly in PSA reform-related research. Extant PSA research has claimed that theories such as NIT are applied in PSAR; however, NIT was not developed for PSAR (Bergmann et al., 2019; Steccolini, 2019). Kowalczyk and Caruana (2022) employed legitimacy theory in conjunction with Neo-institutional theory and argued that legitimacy is crucial because it affects governability. However, it is worth noting that a transformation in social norms as well as expectation influences community perceptions about good governance.

Our findings reveal that 21.01 % of reviewed articles rely on multiple theories rather than a single theory to explain the complex phenomena of PSA, indicating the absence of proper application 'indigenous' PSA theory for IPSAS research. We

find that NPM is often used in conjunction with other theories rather than as a sole theory. Furthermore, many studies, nearly 28%, still struggle to identify an appropriate theoretical basis (Bergmann et al., 2019). The worry for a devoted theoretical basis for PSAR has long been discussed (Broadbent & Guthrie, 1992; Jacobs, 2016; Schmidhuber et al., 2022). Accordingly, Steccolini (2018b), Bergmann et al. (2019), and Schmidhuber et al. (2022) have repeatedly emphasised the need for a sound and dedicated theory specific to PSAR.

## **5. Conclusions**

Accounting changes are not an isolated event. They are also heavily influenced by how the actors recognise the need for change and implement it (Hyndman & Liguori, 2016). Given the complexity and dynamism of the public sector, IPSAS research has leaned on multiple theories. While numerous studies have employed a single theoretical framework, many have failed to effectively link their research to the relevant theory, as existing theories were not explicitly developed for PSA. The lack of a coherent and well-defined theoretical foundation for PSAR has received repeated criticism from academics. Moreover, several studies have used different theoretical streams thus far, but their outcomes are often unsatisfactory (Bergmann et al., 2019). Therefore, the researchers and policymakers should emphasise developing a few focused theories relevant to PSA. In addition, a few existing theories, such as the IPSAB framework, the Structuration theory, and the Commander theory, have been employed by very few PSA researchers. Hence, future studies can attempt to examine these theoretical frameworks more extensively and explore other existing theories that have not yet been applied in IPSAS research.

It was challenging to review all of the works within the scope of the present study due to the substantial qualitative and empirical research conducted on the PSA transition towards IPSAS over the past few decades. Nonetheless, the present study makes several notable contributions to the field of PSA literature. First, it identifies the leading PSA theories that could help academics select the relevant theory for IPSAS research. Second, the study also reveals that there are almost no specialised theories in PSAR, making it easier for future researchers to fill in these gaps and be aware of theories while building on their methodological and contextual knowledge foundation. Finally, the present study sheds light on why and how researchers integrate multiple theories in IPSAS research.

This study investigates the mainstream theoretical lens of IPSAS. Hence, future studies may be conducted to develop new theories for IPSAS research. Further research may also be undertaken by discussing the criticisms of theories currently deployed in IPSAS. Additionally, studies may be performed on an extensive analysis of a specific theory deployed in IPSAS, such as Luder's FMR model or Neo Institutional Theory (2002). Researchers can also consider reviewing a more critical comparison of the theory application across regions, particularly Global North vs. Global South contexts.

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### Appendix: List of Papers Reviewed for the Study

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