

Global Adoption of IPSAS: An Overview

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Abstract

Two decades ago, the IPSASB issued the accrual-basis IPSAS to be adopted worldwide. Only one-third of the countries around the world have adopted these standards until now. This reveals the importance of understanding in-depth the real reasons behind this lack of progress towards the full adoption of IPSAS globally. A deep understanding of this issue requires investigating it in the field. This paper aims to highlight the importance of employing the qualitative method in studying this issue. According to a review of the literature on IPSAS adoption, the quantitative method was used in the majority of earlier research. Although their findings are significant, our understanding of this issue is still unsaturated. This paper recommends conducting more qualitative studies in different contexts, which will assist in finding the appropriate solutions.

Keywords: IPSAS, IPSAS adoption, qualitative method

1. INTRODUCTION

The adoption of international standards and the entire topic of globalization are interwoven (Siaga, 2012). Globalization necessitates harmonization in all fields in order to reap many benefits for all. Accounting field is one of these fields. This harmonization is required not only among countries, but also among different sectors. Adoption of accrual-basis accounting standards in the private sector has been successful in producing high-quality information that assists in managing resources. The limitations of resources in our world, which are managed by the public sector, encouraged governments to imitate the private sector (Montes et al., 2019). However, the nature and goals of the two sectors differed, making it impossible to apply business accounting standards (IASs and IFRS) in the public sector (Kartiko et al., 2018). Thus, the IASB established the IPSASB to produce appropriate standards for the public sector based on IASs and IFRS (Al-Zubi, 2015). The IPSASB has been issuing the accrual-basis IPSAS since 2000 and recommends that they be adopted in all countries and jurisdictions around the world (Chan & Zhang, 2013).

The IPSASB sought to serve the public interest by releasing high-quality standards for the public sector to enhance the quality of its financial reporting and create high-quality financial information that enhances transparency, comparability, and accountability (IPSASB, 2021; Trang, 2012). The adoption of IPSAS is considered part of public sector reform. Literature also confirms that the adoption and implementation of IPSAS will achieve IPSASB's objectives, which will reflect in improved governance and better allocation of resources (Krah & Mertens, 2020). The use of IPSAS raises the quality of general financial reporting in the public sector, which improves comparability, boosts transparency and accountability, and allows for a better evaluation of resource allocation decisions made by governments (IFAC, 2021, pp. 3-16). High-quality financial information offers a solid foundation for decision-making, and improving accountability and transparency (Sour, 2012).

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Although the importance of the adoption of accrual-basis IPSAS and their benefits to the public sector globally are well known, the adoption progress is still very slow. After twenty-two years, only one-third of the world's countries had adopted accrual-basis IPSAS (IFAC, 2021). The other two-thirds of countries are still using cash-basis IPSAS, their national accounting standards, or traditional accounting. There are numerous reasons why the accrual-basis IPSAS has not been adopted. These challenges are different among countries. These challenges could be political, economic, technical, professional, social, or all of them. Studying one context of these challenges will not reflect the full picture and will not bring suitable solutions.

2. DISCUSSION

The solution to the lack of global progress in adopting IPSAS on an accrual basis needs to be aware of and understand all the challenges in each context. Understanding only a portion of difficulties will not help in overcoming the issue. Literature revealed many studies that studied the IPSAS adoption through employing the quantitative method. Most of them were based on one or more theories. To learn more about these theories, some academics reviewed the relevant literature (Polzer et al., 2021; Schmidhuber et al., 2022). Numerous academics have employed a variety of theories to explain the development of the accounting system toward accrual accounting in the public sector based on IPSAS. The factors impacting the adoption of IPSAS have primarily been described using the institutional theory and contingency model (Chan et al., 1996; Lüder, 2002). Many scholars suggest that the reform is modernizing the public sector and improving decision-making, transparency, and accountability by using the New Public Management paradigm to study the adoption and deployment of accrual-basis IPSAS (Gomes et al., 2015; Lüder, 2002).

The theories that were employed in researching the IPSAS adoption in less-advanced nations were examined by Polzer et al. (2021). Many databases were searched by employing the systematic approach. The institutional theory was most frequently employed, whereas the contingency theory has been applied less frequently. Their findings are shown in the following figure.:

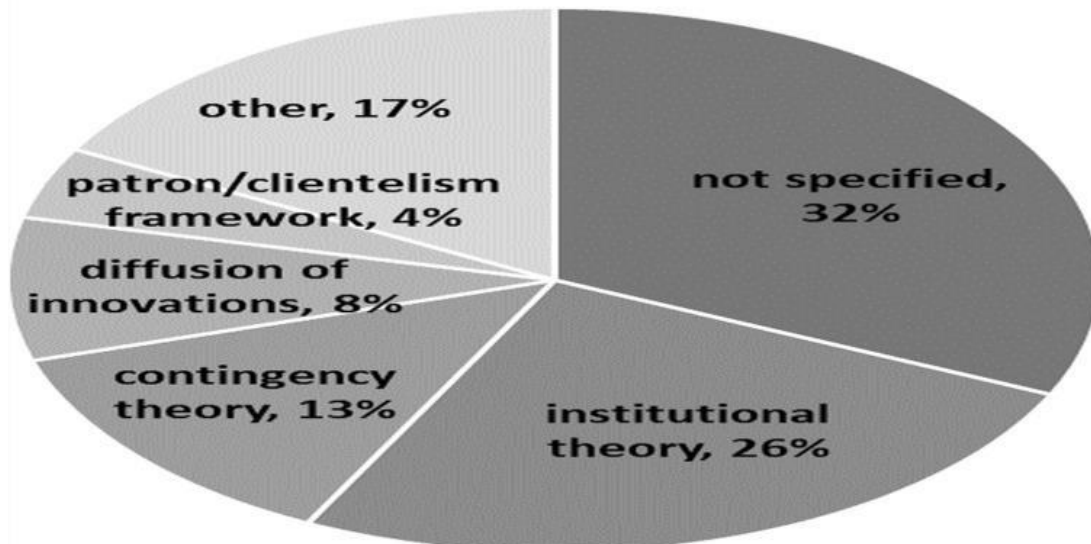


Fig. 1. Conceptual background of Polzer's study on theories used in IPSAS adoption studies.
Source: Polzer, et al. (2021)

Quantitative research methods are intended to address research questions that are addressed quantitatively using statistical data (Barnham, 2015). The fact that developing a numerical system to statistically compute and test a hypothesis requires a large amount of time is a key drawback of employing the quantitative research methods (Zikmund et al., 2012; Ramona, 2011). In order to do quantitative research, a hypothesis must be created and closed-ended questions must be used. The quantitative method, which relies on numbers, is more factual (Park & Park, 2016). In contrast to qualitative research methods, which focus on why or how, the quantitative research methods offer answers to what-questions.

The qualitative research method explores and investigates how or why something happened (Barnham, 2015). The qualitative research method is ideal for studying a phenomenon in its natural setting. Qualitative research has many different components, such as questions and methods, data collected in the participant's natural setting, looking at created data, and the researcher's understanding of the significance of the data (Creswell & Poth, 2018). The goal of qualitative research is to comprehend a complicated phenomenon better so that it may be researched and possibly developed into a theory (Leedy & Ormrod, 2019). In addition to the subjectivity of qualitative research, direct interaction between the researcher and the informants is required (Park & Park, 2016). Additionally, the data in qualitative research can be gathered by a variety of methods and from several sources, which increases the validity and reliability of the data (Creswell, 2014).

The most common methods for gathering data for qualitative research include participant observations, documents, and interviews (Sekaran & Bougie, 2016). In qualitative research, the researcher observes the participants' behaviors and interpretations in the field and relies on their unique perspectives and expertise (Creswell, 2014). Observation can be a valuable tool for data collection in management and business research, especially when combined with other tools (Saunders et al., 2009, pp. 290). Interviews are employed to collect primary data through structured, semi-structured, and in-depth interviews. While secondary data are gathered through documents that enable triangulation of the data collected (Saunders et al., 2009, pp. 328).

Studying the issue of the lack of progress in the adoption of IPSAS completely in the public sector indicates the complexity of this phenomenon. To find all of the reasons why this lack occurred, many instruments, such as observations, documents, and interviews, are required to be used to collect data that can answer the "why" question and deeply understand the phenomenon of IPSAS non-adoption. Furthermore, investigating all aspects of the adoption process necessitates research in its natural setting. Although the findings of quantitative studies are significant, the overall picture of IPSAS adoption in various contexts remains hazy. This haziness reflects the uncertainty, ambiguity, volatility, and complexity of the reasons behind this phenomenon. So, it will not be appropriate to study this phenomenon using the positivity paradigm, which is the foundation of quantitative research. Therefore, the most appropriate method to be used in studying the lackluster progress of IPSAS adoption is the qualitative research method.

3. CONCLUSION

The acceleration of the adoption of accrual-basis IPSAS globally needs to understand the challenges in different contexts deeply. The qualitative research method will be the most appropriate method to study this phenomenon because it presents the required in-depth understanding of the overall situation. This paper suggests conducting qualitative studies in various countries to gain a comprehensive picture of this phenomenon and speed up the global adoption of accrual-basis IPSAS.

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