

THE IMPLEMENTATION OF THE LUDER CONTINGENCY MODEL IN PUBLIC SECTOR ACCOUNTING REFORMS IN INDONESIA

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Abstract

This research originated from the necessity to gain a comprehensive comprehension of the determinants that impact the achievement of public sector accounting reform, particularly in the Indonesian context. The objective of this study is to investigate the application of the Luder Contingency Model in the specific context of public sector accounting reform in Indonesia. The employed approach entails a Systematic Literature Review, which involves scrutinizing diverse relevant research, encompassing the Luder Contingency Model theory and its implementation in the public sector. The research findings indicate that societal pressure and the demands of globalization are significant factors in promoting public sector accounting reform in Indonesia. The success of reform is influenced by social structural variables of information users, such as their information needs and level of interest in accounting information. Similarly, the attributes of political administration/information providers, such as governance systems and organizational culture, are crucial in facilitating transparency and accountability. Nevertheless, the presence of obstacles in the form of restricted resources and absence of political backing presents significant difficulties. To summarize, while there has been some advancement in the implementation of the Luder Contingency Model, additional endeavors are required to enhance public awareness, allocate sufficient resources, and garner robust political backing in order to achieve successful public sector accounting reform in Indonesia.

Keywords : *Governance, Public Sector Accounting, Luder Contingency Model, Indonesia*

1. INTRODUCTION

Accounting is a systematic process that gathers, categorizes, condenses, examines, and explains the monetary activities of a company or organization. In Indonesia, accounting practices adhere to the Financial Accounting Standards established by the Financial Accounting Standards Board (DSAK) or Indonesian Financial Accounting Standards (IFAS). The primary aim of accounting is to furnish precise and pertinent financial data to aid stakeholders, including owners, investors, creditors, and governments, in formulating economic judgments (Komala et al., 2019). Accounting in Indonesia encompasses a range of facets, such as financial accounting, management accounting, and auditing. The objective of financial accounting is to present an organization's financial data in a clear and reliable manner. Management accounting primarily emphasizes the utilization of accounting information to aid management in the processes of planning, controlling, and decision-making. Auditing, a component of accounting, entails the impartial scrutiny of an organization's financial statements to evaluate adherence to accounting principles and the dependability of the information disclosed (Chandrayatna & Ratna Sari, 2019).

The accounting challenges in Indonesia encompass various facets, including intricate regulations, adherence to accounting norms, tax regulations, and ethical deliberations. The intricate nature of regulations poses difficulties in implementing dynamic accounting standards, while entities may encounter challenges in adhering to these standards due to the periodic modifications of rules. The tax policy is a significant component of accounting in Indonesia, and alterations in

regulations can have an impact on the management of corporate taxes (Kuswati, 2023). Ethical considerations play a crucial role in engaging accounting practitioners to uphold integrity, objectivity, and transparency when presenting financial information.

Enhancing comprehension of taxation and modifications in tax policy are crucial for ensuring the financial viability of an organization in the face of ever-evolving economic dynamics. In addition, the auditor's function as an impartial entity is crucial in guaranteeing the reliability and compliance of the financial reports with relevant accounting standards. The approach to address accounting reform involves the utilization of Luder's contingency (Alfarizi, 2023). The Contingency Model developed by Luder elucidates the process of accounting system reform and financial management within the public sector. Wolfgang Luder, a professor of accounting at the University of Hamburg, Germany, proposed this model. This model is grounded in contingency theory, which posits that the efficacy of an accounting system is contingent upon the internal and external factors that exert influence upon it. Internal factors encompass organizational attributes, such as dimensions, arrangement, and technology. External factors encompass various elements beyond an organization's control, such as the economic, political, and social conditions in which it operates (Alfarizi, 2023).

Accounting system reform in the public sector should be tailored to accommodate the internal and external factors that impact it, as indicated by this model. Reforms that do not take into account these factors are improbable to achieve success. The relationship between Luder's Contingency Model and accounting lies in the model's ability to elucidate the optimal design and implementation of accounting systems in the public sector (Noegroho, 2020). This model can also be utilized to assess the efficacy of accounting system reforms in the public sector. Examples of the implementation of Luder's Contingency Model in accounting include the correlation between the size of an organization and the complexity of its required accounting system. As the size of an organization increases, so does the need for a more intricate accounting system. Organizations that have a centralized structure necessitate a correspondingly centralized accounting system, whereas organizations with a decentralized structure necessitate a correspondingly decentralized accounting system. In addition, the utilization of information technology can enhance the efficiency and efficacy of the accounting system. Volatility in economic conditions can also heighten the necessity for a more explicit and responsible accounting system (Yuniati & Bagito, 2021).

There exists Political policy changes have the potential to impact the accounting systems utilized in the public sector. The public sector may undergo accounting system reform due to social changes, such as the growing need for transparency and accountability. The application of Luder's Contingency Model can enhance the efficacy of these reforms and guarantee that the accounting system implemented in the public sector fulfills the necessary criteria. The implementation of Luder's Contingency Model in accounting reform is necessary to enhance the efficacy of the reform (Suhendar et al., 2023). Accounting reforms that are not aligned with the internal and external factors that impact them are unlikely to achieve success. The application of Luder's Contingency Model can ensure that accounting reforms are tailored to the specific requirements and circumstances of the organization.

To ensure compliance with Luder's Contingency Model, it is crucial to highlight the significance of both internal and external factors in determining the effectiveness of the accounting system. By utilizing this model, accounting reform can ensure that the accounting system implemented in the public sector is suitable for the organization and its surroundings. The implementation of Luder's Contingency Model can enhance the level of transparency and accountability within the accounting system. This is due to the fact that this model highlights the significance of both internal and external factors in determining the efficacy of the accounting system (MS Sari et al., 2020). By implementing this model, accounting reform can ensure that the accounting system utilized in the public sector can fulfill the requirements of transparency and accountability. Overall, Luder's Contingency Model is a valuable framework for comprehending the process of reforming accounting systems in the public sector. The utilization of this model can enhance the efficacy of these reforms and guarantee that the accounting system implemented in the public sector fulfills the necessary criteria (MS Sari et al., 2020). Studying the application of the

Luder Contingency Model in public sector accounting reform in Indonesia is crucial as it offers a theoretical and practical framework for comprehending how this leadership model can be utilized to effectively enhance the accounting reform process in the public sector.

This research has the potential to offer profound understanding of the interplay between variables in the model, such as leadership style and task characteristics, within the specific context of the Indonesian public sector. Furthermore, the research can offer concrete suggestions for stakeholders, such as government officials, scholars, and accounting professionals, on how to effectively implement suitable strategies to accomplish the objectives of public sector accounting reform. This research has the potential to not only make practical contributions, but also to enhance our understanding of the specific Indonesian context and how environmental dynamics can impact the effectiveness of implementing the model. This can serve as the foundation for enhancing or modifying the model to more effectively align with the distinct requirements and obstacles encountered by the public sector in Indonesia. Hence, conducting research on the application of the Luder Contingency Model in the context of public sector accounting reform in Indonesia will make a significant impact in terms of practical and academic advancements.

2. IMPLEMENTATION METHOD

The Systematic Literature Review (SLR) method is a rigorous research approach used to systematically identify, evaluate, and analyze relevant research pertaining to a specific topic. The primary objective of SLR is to offer a thorough and precise representation of the current understanding and information within the field. The process of SLR involves multiple stages, with the initial stage being the formulation of unambiguous and precise research inquiries. This research question will act as a compass in conducting a Systematic Literature Review (SLR). The next step involves identifying literature that is pertinent to the research question. One can accomplish this task by conducting a comprehensive search across diverse sources, including academic journals, books, articles, and websites. The third phase involves evaluating the literature that has been identified. The assessment is conducted to ascertain the relevance, high quality, and usability of the literature in addressing research inquiries. The fourth phase entails scrutinizing the evaluated literature and analyses the literature to identify prevalent themes, trends, and patterns. The ultimate step involves showcasing the results obtained from the SLR analysis. SLR findings can be communicated through reports, articles, or presentations (Sastypratiwi & Nyoto, 2020).

The benefits of conducting a systematic literature review (SLR) include: (1) offering a thorough and precise overview of current knowledge in a specific field; (2) aiding researchers in comprehending prior research efforts; (3) assisting researchers in identifying areas where further research is needed; (4) facilitating the formulation of new hypotheses or theories. SLR is a crucial research methodology conducted across diverse domains, including science, technology, and society (Carter et al., 2022).

3. RESULTS AND DISCUSSION

Based on the SLR results of five journals using the keywords Accounting and Luder Contingency Model, the following results were obtained in Table 1:

Table 1. Research Results

No.	Article Title	Writer	Research Findings/Results
1	The Reform of Governmental Accounting: a Discussion of Luder's Financial Management Reform (FMR) Model	(Muniruddin, 2020)	Most research on changes in government accounting was conducted in developed countries. Only a few studies have tried to apply the Contingency Model to developing countries. However, comparative research covering a large number of developing countries has not been developed.
2	Factors that Influence the Implementation of	(Yuniati & Bagito, 2021)	The indirect influence coefficient of top management support on the quality of financial

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No.	Article Title	Writer	Research Findings/Results
	Accrual-Based Accounting and Their Implications for Asset Management and Financial Report Quality		reports, through the implementation of accrual-based accounting and asset management, is 0.564. The results of hypothesis testing show that top management support has an indirect impact on the quality of financial reports through the implementation of accrual-based accounting and asset management.
3	Uncovering the Tax Amnesty Phenomenon in Indonesia: An Analysis Using Luder's Contingency Model Approach	(Novitasari, 2018)	The findings of this research show that the implementation of the tax amnesty policy is driven by three main factors, namely the interests of parties related to the tax amnesty, and the obstacles that may arise in its implementation. Apart from that, this research also describes the post-tax amnesty situation, especially the actions taken against those who did not participate in the tax amnesty program.
4	Luder's Contingency Model in Foreign Debt Policy of Indonesia and the Philippines	(AA Sari et al., 2019)	The Luder Contingency Model that has been developed can compare the accounting reforms of the Indonesian Government with the accounting reforms of the Philippine Government. With similar stimuli, identical actors and producers, and almost uniform obstacles.
5	Accounting Standard Implementation of Public Service Agencies from Luder Contingency Theory	(Sulanjari et al., 2019)	A more informative system has two roles, namely providing comprehensive and reliable information to the financial community, and providing a basis for more effective financial control of government activities.

The research findings regarding the application of the Luder Contingency Model in the reformation of public sector accounting in Indonesia demonstrate that these four factors significantly contribute to the success of the reform. According to research conducted by Misra and Sabila (2021), the primary drivers of public sector accounting reform in Indonesia are the societal pressure and the demands of globalization. The public insists on greater transparency and accountability from the government regarding its financial management. Moreover, the government must adopt globally applicable accounting standards in response to the demands of globalization. Research indicates that the success of reform is influenced by the information needs and level of interest in accounting information of information users, which are social structural variables. The government must ensure that the accounting information generated adequately fulfils the information requirements of diverse stakeholders, including the general public, investors, and creditors. Research indicates that the success of reform in political administration/information providers is influenced by structural variables such as the government system and organizational culture. Factors such as a democratic government system and an organizational culture that promotes transparency and accountability can contribute to the success of reform efforts (Rusmana et al., 2023).

Research indicates that the primary obstacles to implementation are insufficient resources and a lack of political backing. The government must allocate sufficient resources to facilitate the execution of reforms, including financial provisions, specialized personnel, and infrastructure. In addition, the government must secure political backing from multiple parties, including members of parliament and government officials (Harun & Kamase, 2022). The application of the Luder Contingency Model in the reformation of public sector accounting in Indonesia continues to

encounter numerous obstacles. The challenges encompass: (a) Insufficient public and government recognition of the significance of reforming public sector accounting; (b) Scarce resources accessible to facilitate the implementation of reform; and (c) Absence of political backing from diverse factions. In order to address these challenges, the government must undertake several measures, namely: (a) Enhancing public and government awareness regarding the significance of reforming public sector accounting; (b) Allocating additional funds to facilitate the implementation of reforms; and (c) Establishing a political alliance to garner support for the reform process (Rusmana et al., 2023). These endeavors aim to ensure the smooth and successful implementation of public sector accounting reform in Indonesia.

Luder's Contingency Model theory is based on four assumptions regarding the public sector innovation process. These assumptions include: (a) Stimuli, which are factors that encourage reform in public sector accounting, such as societal pressure, globalization demands, and changes in the economic environment; (b) Social structural variables of information users, which refer to the characteristics of individuals who utilize public sector accounting information, such as their information needs, level of knowledge, and level of interest in accounting information; (c) Structural variables related to political administration/information providers, which pertain to the characteristics of government organizations, such as government systems, organizational structures, and organizational culture; (d) Implementation barriers, which are factors that impede the implementation of public sector accounting reform, such as limited resources, lack of political support, and insufficient awareness among information users (Suhendar et al., 2023).

The Luder Contingency Model posits that the effectiveness of public sector accounting reform is contingent upon the alignment of four key factors. The Luder Contingency Model was introduced in Indonesia in 2000 to reform public sector accounting. This initiative was initiated through the issuance of Government Regulation Number 24 of 2000, which focused on establishing Government Accounting Standards. This regulation implements globally recognized accounting standards known as International Public Sector Accounting Standards (IPSAS). The implementation of public sector accounting reform in Indonesia was conducted incrementally. The initial phase involves the adoption of both cash and accrual basis accounting. The second phase involves the execution of entity-based accounting. The third phase involves the execution of budgetary accounting. All regional governments in Indonesia have successfully implemented both cash and accrual-based accounting systems. The development of entity-based accounting and budget-based accounting is currently underway (Novitasari, 2018).

Progress has been observed in the implementation of the Luder Contingency Model for reforming public sector accounting in Indonesia. The progress made encompasses the following: (a) Enhancing transparency and accountability in the management of state finances; (b) Enhancing the quality of generated accounting information; (c) Bolstering public trust in the management of state finances. Nevertheless, there remain numerous obstacles that must be confronted to ensure the success of public sector accounting reform in Indonesia. The challenges encompass the following: (a) There is a prevailing lack of awareness among the public and government regarding the significance of reforming public sector accounting; (b) The resources allocated for implementing reform are limited; (c) There is a dearth of political support from multiple parties (Yuniati & Bagito, 2021). Significant progress has been observed in the implementation of the Luder Contingency Model for reforming public sector accounting in Indonesia. Nevertheless, there remain numerous obstacles that must be confronted in order to ensure the triumph of this reform. In order to address these challenges, the government must undertake several measures, namely: (a) Enhancing public and government awareness regarding the significance of reforming public sector accounting; (b) Allocating additional funds to facilitate the implementation of reforms; (c) Establishing a political alliance to garner support for the reform process (Alfarizi, 2023).

These endeavors aim to ensure a smooth and successful implementation of public sector accounting reform in Indonesia. There are multiple instances where the Luder Contingency Model has been applied to reform public sector accounting in Indonesia. One notable example is when the Indonesian government decided to adopt the IPSAS accounting standard. This decision was

influenced by societal pressure and the demands of globalization. The public insists on increased transparency and accountability from the government regarding its financial management (Sulanjari et al., 2019). Furthermore, the government must adopt globally applicable accounting standards in response to the demands of globalization. Moreover, the Indonesian government has implemented diverse initiatives to enhance the information requirements and level of engagement in accounting information among multiple stakeholders, including the general public, investors, and creditors. The government disseminates IPSAS accounting standards to multiple stakeholders and enhances public accessibility to accounting information. Additionally, the Indonesian government adopts a democratic governance system and fosters an organizational culture that promotes transparency and accountability. A democratic government system allows for the active involvement of the community in the process of making decisions. Concurrently, a corporate culture that promotes openness and responsibility motivates the government to handle its financial matters in a transparent manner (AA Sari et al., 2019).

4. CONCLUSION

The application of the Luder Contingency Model in the reform of public sector accounting in Indonesia demonstrates notable progress, particularly in enhancing transparency, accountability, and the caliber of the accounting information generated. The primary catalysts for these reforms are societal pressure and the demands of globalization, underscoring the significance of transparency and accountability in the administration of state finances. Enhancing public and government recognition of the significance of reform, particularly by implementing international accounting standards (IPSAS), along with endeavors to augment information requirements and the level of engagement from diverse stakeholders, are favorable measures in bolstering this transformation. Nevertheless, the persisting challenges encompass insufficient awareness, constrained resources, and a dearth of political backing from diverse factions. It is imperative to exert efforts in order to enhance public and government awareness, allocate sufficient budgets, and establish political coalitions to ensure the effective implementation of reforms. The crucial determinant of the success of public sector accounting reform in Indonesia is the harmonization of the four factors in the Luder Contingency Model. These efforts aim to facilitate the ongoing development and successful resolution of challenges faced by public sector accounting reform.

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