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THE ROLE OF ACCRUAL ACCOUNTING AND TRANSPARENCY IN ECONOMIC SUSTAINABILITY

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Abstract

This study examines the effect of accrual-based accounting and fiscal transparency, measured through the Corruption Perceptions Index (CPI), on economic sustainability. The analysis uses panel data from 156 countries over the period 2022–2024, resulting in 438 observations. Employing a random-effects regression model, the findings demonstrate that accrual accounting significantly strengthens economic sustainability by improving the quality of financial reporting and enhancing fiscal accountability. Similarly, fiscal transparency, proxied by higher CPI scores, exerts a positive and significant influence by fostering public trust and institutional stability. Conversely, GDP per capita, included as a control variable, does not show a significant effect, indicating that economic capacity alone cannot guarantee sustainability without effective governance. The study contributes theoretically by integrating Sustainable Development Theory and Stakeholder Theory into fiscal governance and provides empirical novelty by simultaneously testing accrual accounting and transparency across countries. Practically, the results underscore the strategic role of governments, auditors, and international institutions in advancing accrual adoption and transparency reforms to sustain long-term economic development.

INTRODUCTION

Economic sustainability has emerged as one of the central issues in global development discourse, particularly following the adoption of the Sustainable Development Goals (SDGs). The concept extends beyond maintaining long-term economic growth; it also encompasses the capacity of nations to manage resources efficiently, equitably, and responsibly across generations. Grigonytė & Butkevičiūtė (2016) emphasize that economic sustainability is a process of resource allocation and preservation that prioritizes not only efficiency but also positive impacts on social welfare and environmental continuity. Within the context of public organizations, Moisescu (2018) underscores that economic sustainability reflects the ability of governments to deliver public services effectively through sound resource management. This perspective aligns with Tu et al. (2023), who argue that sustainable economic development is inseparable from the integration of fiscal, social, and environmental objectives.

Although the principle of sustainability has become a widely acknowledged keyword (Wymeersch, 2006), global realities demonstrate that many countries continue to face profound challenges in achieving it. Fiscal imbalances, weak financial reporting, and low levels of



transparency remain major obstacles. These gaps create a disjunction between the ambition of long-term development policies and the actual capacity of public financial governance. Consequently, there is a pressing need to identify governance instruments that can strengthen fiscal integrity and support economic sustainability. In this regard, accrual accounting and fiscal transparency are viewed as two complementary pillars.

Accrual-based accounting has long been promoted as a best practice in public financial management. Unlike cash-based accounting, accrual accounting reflects a more accurate picture of economic conditions by recognizing all rights and obligations when they occur. Cao et al. (2023) demonstrate that accrual accounting can curb unaccountable fiscal practices such as debt deferrals or liability concealment. Similarly, Brusca et al. (2013) highlight its role in providing comprehensive information on assets, liabilities, revenues, and expenses, while Onofrei et al., (2020) point out its contribution to transparency and accountability in government reporting. Dokas (2023) further notes that accrual facilitates performance comparison across jurisdictions and institutions. Thus, accrual accounting functions not merely as a technical recording system but as a strategic instrument that strengthens the foundations of economic sustainability through enhanced fiscal governance.

Despite these benefits, global adoption of accrual accounting remains limited. The International Federation of Accountants (IFAC, 2021) reports that only around 30% of countries have fully implemented accrual-based accounting in the public sector, while approximately 40% are in transition and the remainder still rely on cash-based systems. This gap between ideal practice and real-world implementation directly undermines long-term fiscal capacity and, consequently, economic sustainability. In this sense, accrual serves as a mechanism of intergenerational accountability, ensuring that fiscal burdens are not disproportionately transferred to future generations.

Fiscal transparency, on the other hand, constitutes an indispensable element of sustainable public financial governance. It refers to the openness of governments in providing financial information that is truthful, comprehensive, and accessible to the public. Effective transparency enables citizens, parliaments, auditors, and international institutions to perform oversight functions more effectively. Sarijowan & Tanor (2022) argue that transparency, when integrated into planning, implementation, accountability, and supervision, significantly enhances the effectiveness of public financial management. Evidence from the Open Budget Index (OBS, 2023) illustrates the relationship between transparency and fiscal sustainability: countries with high levels of accrual adoption, such as New Zealand and Norway, record transparency scores above 85 (out of 100), while developing countries such as Myanmar and Nigeria score below 30. These disparities demonstrate that insufficient transparency reduces public trust and undermines long-term economic stability.

Fiscal transparency is often proxied by the Corruption Perceptions Index (CPI), published by Transparency International. The CPI is widely recognized as the leading global measure of government integrity. Ulya & Astuti (2018) show that higher fiscal transparency, reflected in stronger CPI scores, contributes to institutional trust and reinforces macroeconomic indicators. Countries with higher CPI scores tend to exhibit stronger fiscal stability, healthier investment climates, and more sustainable economic growth. Hence, fiscal transparency carries not only normative value but also tangible economic implications.

Previous research has highlighted the roles of accrual accounting and transparency individually in supporting fiscal governance. Brusca et al. (2013) demonstrate that accrual strengthens fiscal decision-making, while Faradila et al. (2024) show its contribution to efficiency and accountability. Similarly, Garung & Ga, (2020) and Rasmini (2019) affirm that transparency significantly enhances the effectiveness of public financial management. However, most studies are limited to single variables, focus on developed economies with relatively mature governance systems, or remain constrained to regional cases. Empirical studies simultaneously



examining the interaction between accrual accounting and fiscal transparency in shaping economic sustainability across countries remain scarce.

This creates a significant research gap. First, most studies link accrual accounting primarily with fiscal accountability without explicitly connecting it to economic sustainability. Second, research on fiscal transparency tends to emphasize public accountability or citizen trust rather than long-term economic outcomes. Third, very few studies integrate both variables in cross-country analyses, even though they are conceptually interrelated: accrual improves the quality of fiscal information, while transparency strengthens legitimacy and public trust. Together, these dimensions are expected to exert a stronger impact on economic sustainability.

Against this background, this study investigates the effect of accrual-based accounting and fiscal transparency on economic sustainability using international panel data covering 156 countries during the period 2022–2024, with 438 observations. Theoretically, the study seeks to expand the literature by integrating accrual practices and fiscal transparency into the framework of public-sector economic sustainability, a perspective rarely analyzed in tandem. Empirically, it offers novelty by providing multi-year cross-country panel evidence that underscores the importance of combining these governance instruments in strengthening economic sustainability. Accordingly, this study tests two main hypotheses: (1) accrual-based accounting has a positive effect on economic sustainability, and (2) fiscal transparency, proxied by the Corruption Perceptions Index (CPI), has a significant positive effect on economic sustainability.

HYPOTHESIS DEVELOPMENT

Sustainable Development Theory

The theory of sustainable development emerged as a consequence of global awareness that economic growth alone is insufficient to ensure the well-being of societies and future generations. The Brundtland, (1987) emphasized that development must meet the needs of the present without compromising the ability of future generations to meet their own needs. This definition marked a critical milestone, underscoring the integration of three inseparable dimensions of development economic, social, and environmental within policy practice. Since then, sustainable development theory has evolved into a conceptual framework that supports a paradigm shift from short-term economic growth toward growth that is inclusive, equitable, and resilient (Shi et al., 2019). Over time, this approach has been expanded through the “triple bottom line” framework, which stresses the balance between profit, people, and planet (Klarin, 2014). This perspective reinforces the idea that the economic dimension cannot be detached from the principles of social equity and environmental sustainability.

In the context of public governance, the economic dimension of sustainable development (economic sustainability) is closely related to the government’s ability to maintain fiscal stability, ensure the efficient use of resources, and safeguard accountability in public financial management. The International Monetary Fund (2002) highlights fiscal policy as a key instrument for steering sustainable development through budgeting, taxation, and long-term-oriented public spending. Grigonytė & Butkevičiūtė (2016) further argue that economic sustainability requires the efficient allocation and preservation of resources in ways that generate positive social and environmental outcomes. Consistent with this view, the Sustainable Development Goals (SDGs) emphasize the necessity of transparent and accountable fiscal governance as a foundation for sustaining global economic development (Tu et al., 2023). Thus, sustainable development theory functions not only as a macro-level conceptual framework but also as a normative foundation affirming that public governance practices such as the adoption of accrual-based accounting and fiscal transparency are essential instruments for safeguarding economic sustainability across nations.

Stakeholder Theory

Stakeholder Theory, popularized by Freeman & Phillips (2002), asserts that organizations are not solely accountable to shareholders but also to all parties affected by their activities, whether directly or indirectly. In the context of cross-country public sector accounting, stakeholders encompass citizens, parliaments, audit institutions, regulators, and international organizations such as the IMF, the World Bank, and the OECD. Gray et al. (1995) emphasize that transparency in public financial reporting constitutes a fundamental instrument for meeting stakeholders' informational needs, as reliable reports enhance accountability and prevent fiscal misconduct. Similarly, Roberts (1992) highlights that public accountability can only be realized through a transparent reciprocal relationship between governments and their citizens, while Guthrie et al. (2002) argue that the adoption of accrual accounting in the public sector strengthens political legitimacy by fostering greater public trust. Accordingly, this theory underscores that the implementation of accrual-based accounting and fiscal transparency is not merely a technical exercise but a normative mechanism for meeting the expectations of both domestic and global stakeholders, reinforcing institutional legitimacy, and safeguarding economic sustainability across generations.

The Role of Accrual in Sustainable Economy

Accrual-based accounting is regarded as a fundamental instrument in modern fiscal governance, as it enables governments to present comprehensive and reliable information on assets, liabilities, revenues, and expenditures in a timely manner. Brusca et al. (2013) emphasize that accrual accounting produces financial statements that are more transparent and accurate than those based on cash accounting, thereby improving the quality of fiscal decision-making. The mechanism operates as follows: the adoption of accrual accounting enhances the quality of financial reporting by recording all obligations and assets in a realistic manner; high-quality reporting strengthens fiscal accountability by providing the public and legislatures with a complete picture of the government's fiscal position; in turn, stronger accountability supports economic sustainability, as fiscal policies can be designed more carefully with due consideration of long-term and intergenerational impacts (Adhikari & Gårseth-Nesbakk, 2016; Cohen et al., 2023). In this sense, accrual accounting is not merely a technical recording procedure, but rather an institutional mechanism that safeguards social trust, reinforces government legitimacy, and ensures fiscal continuity.

Empirical evidence further substantiates this mechanism. Faradila et al. (2024) demonstrate that full adoption of accrual accounting enhances government effectiveness in managing public resources. Christiaens et al. (2015) find that accrual-based information is more relevant for detecting long-term fiscal risks, thereby strengthening sustainability-oriented policy planning. Similarly, Awalia et al. (2024) show that integrating accrual accounting with principles of good public governance accelerates the achievement of the SDGs, particularly in relation to fiscal accountability and global partnerships. Nevertheless, cross-country studies that empirically examine the relationship between accrual accounting and economic sustainability remain limited. Accordingly, this study provides a novel contribution by demonstrating that accrual serves as a crucial link between financial reporting quality, fiscal accountability, and long-term economic stability.

H₁: The adoption of accrual-based accounting has a positive effect on economic sustainability.

The Influence of Transparency on Economic Sustainability

Fiscal transparency is a fundamental element of public governance as it ensures that governments disclose budgetary and financial information that is relevant, accessible, and verifiable by society. Houqe, (2025) emphasize that transparency functions as a prerequisite for



accountability and governmental legitimacy. The mechanism can be explained as follows: the Corruption Perceptions Index (CPI) reflects the level of openness and fiscal integrity; a higher CPI score indicates stronger fiscal transparency; such transparency enhances public trust in government; this trust reinforces macroeconomic stability, as investors, international institutions, and citizens perceive fiscal policies as credible; and macroeconomic stability ultimately strengthens long-term economic sustainability. Hence, the CPI does not merely measure perceptions of corruption but serves as a proxy for fiscal transparency that shapes the causal chain leading to economic sustainability.

Several studies support this mechanism. Nugroho & Setijaningrum (2023) and Garung & Ga (2020) found that transparency improves the effectiveness of public fund management, thereby enhancing fiscal efficiency. Sayuti et al. (2018) emphasized that openness in fiscal information prevents misappropriation, while Ulya & Astuti, (2018) underlined that transparency guarantees public access to policy information, which reinforces citizen participation. Nevertheless, cross-country studies directly linking CPI to economic sustainability remain limited, thereby positioning this research as a novel contribution that provides global empirical evidence on the role of fiscal transparency as a catalyst for economic sustainability.

H2: Fiscal transparency has a positive effect on economic sustainability

RESEARCH METHOD

Data

The data for this study were obtained from four internationally recognized institutions with high credibility: the Global Sustainable Competitiveness Index (GSCI) for measuring economic sustainability, the International Federation of Accountants (IFAC) for the level of accrual accounting adoption, Transparency International (TI) for the Corruption Perceptions Index (CPI) as a proxy for fiscal transparency, and the World Bank for Gross Domestic Product (GDP) per capita, which serves as a control variable. The observation period covers 2022–2024, resulting in 438 observations across 156 countries from a total of 195 internationally recognized sovereign states. A purposive sampling technique was employed to ensure data completeness for all variables, leading to the exclusion of 39 countries due to limitations in fiscal reporting, non-participation in the CPI survey, or inconsistent macroeconomic data from the World Bank. This approach ensures that the dataset meets standards of validity and reliability, thereby providing a robust empirical foundation for subsequent panel data analysis.

Empirical Model and Operationalization of Variabel

To answer the research problems and test the hypothesis, the empirical model in this study is as follows:

$$\text{Scoreecosus}_{it} = \beta_1 \text{Accrual}_{it} + \beta_2 \text{CPI}_{it} + \beta_3 \text{LnGDP}_{it} + \epsilon_{it} \dots \dots \dots (1)$$

The subscript i represents the country, while t denotes the observation year (2022–2024). Estimation was conducted using the Random Effects (RE) approach, as the primary source of variation lies in cross-country differences, whereas temporal variation within the relatively short observation period is limited (Baltagi et al., 2005). The dependent variable, *ScoreEcoSus_{it}*, was measured using the Global Sustainable Competitiveness Index (GSCI), which ranges from 0 to 100. Higher scores reflect a country's capacity to achieve economic sustainability through resource efficiency, institutional stability, and fiscal resilience (SolAbility, 2023). This indicator was chosen because it methodologically integrates economic, institutional, and governance dimensions, which the sustainable development literature identifies as core determinants of economic sustainability (Klarin, 2014).

The first independent variable is Accrual, which measures the degree of accrual accounting adoption in the public sector based on the classification of the International Federation of Accountants using a 1–4 scale. Although ordinal in nature, its use in panel regression is justified on the grounds that differences across levels capture substantive transitions in fiscal reporting quality. Gujarati (2009) argue that ordinal variables can be treated as quasi-continuous when the intervals carry consistent economic meaning, making them suitable for causal testing. The second independent variable is the Corruption Perceptions Index (CPI), published by Transparency International with a score range of 0–100. CPI is employed as a proxy for fiscal transparency, as prior studies have shown that lower corruption is positively correlated with information disclosure, institutional legitimacy, and public trust (Lambsdorff, 2007; Mauro, 1995).

As a control variable, the study incorporates LnGDP per capita, which is the natural logarithm of GDP per capita. This transformation stabilizes variance, mitigates heteroskedasticity, and enhances econometric interpretability regarding income disparities across countries (Wooldridge, 2010). Its inclusion is essential because existing literature emphasizes that the level of prosperity influences both public governance quality and fiscal capacity (Robinson & Acemoglu, 2012). Conceptually, the model is constructed upon two primary mechanisms. First, accrual-based accounting is expected to enhance the quality of fiscal information, rendering government financial statements more comprehensive, relevant, and auditable. This improved information quality strengthens fiscal accountability and facilitates the formulation of long-term policy, thereby supporting economic sustainability. Second, fiscal transparency proxied by CPI is regarded as a key determinant of public trust. Higher CPI scores reflect lower perceived corruption, which implies stronger transparency, higher institutional legitimacy, and greater economic stability over the long term.

Table 1.

Operational Variables and Data Sources

Name	Operational Variables	Data Source
Scoreecosus_{it}	A composite score representing the level of a country's economic sustainability (0–100), where higher values indicate stronger long-term economic stability.	Global Sustainable Competitiveness Index Scores
Accrual_{it}	The degree of accrual-based accounting adoption in the public sector. Scale: 1 = no cash/accrual basis; 2 = cash basis; 3 = partial accrual; 4 = full accrual.	International Federation of Accountants
Cpi_{it}	Corruption Perceptions Index used as a proxy for fiscal transparency (0 = high corruption; 100 = low corruption). Higher scores reflect stronger transparency.	Transparency International
LnGDP	Gross Domestic Product per capita, transformed into natural logarithms (LnGDP) to stabilize variance and improve econometric validity.	World Bank

Source: Processed by Researchers, 2025

RESEARCH RESULTS AND DISCUSSION

Descriptive Statistic and Correlation of Variables

The descriptive statistical descriptiाप (mean, standardard deviation, minimum value and maximum value) for each variable is as follows.



Table 2.
Descriptive Statistics of Variables

Information	Mean	Standar Deviasi	Min	Max
Scoreecosus _{it}	42.25	7.05	25.48	61.59
Accrual _{it}	2.57	1.04	1	4
Cpi _{it}	42.94	18.59	9	88
GDP*)	3921.20	14389.09	0.06	111326.40

Notes:

N = 438 Obs

*) In Miliyar

Source: Secondary data, STATA-17 output, 2025

The results of the descriptive statistical analysis indicate that Scoreecosusit, representing the level of economic sustainability, has a mean value of 42.26 with a standard deviation of 7.05, a minimum of 25.48, and a maximum of 61.59. This reflects notable cross-country variation, although the range becomes more concentrated following the removal of zero values, thereby providing a more reliable depiction of cross-national economic sustainability capacity. The Accrual variable, which captures the degree of accrual-based accounting adoption, records a mean of 2.57 on a scale ranging from 1 to 4. This suggests that most countries are in the transition phase toward full accrual implementation, with relatively consistent variation across groups of countries.

Meanwhile, the Corruption Perceptions Index (CPI), employed as a proxy for fiscal transparency, has a mean of 42.95 with a standard deviation of 18.59, a minimum of 9, and a maximum of 88. The wide range of values highlights substantial disparities in perceived corruption levels across countries, underscoring the relevance of CPI as a differentiating factor in public governance. As for the control variable, GDP per capita is presented in nominal terms to provide an overview of real national income levels, with a mean of USD 3,921.20, a standard deviation of USD 14,389.09, a minimum of USD 0.06, and a maximum of USD 111,326.40. However, for the regression panel model, GDP per capita is transformed into its natural logarithm (LnGDP) to stabilize variance, mitigate the influence of outliers, and enhance the validity of statistical inference.

Variable Correlation Analysis

Table 3 reports the correlation analysis results, showing the strength and direction of relationships among the study variables.

Table 3

Variable Correlation Analysis

Variable	Scoreecosus _{it}	Acc _{it}	cpi _{it}	LnGDP
Scoreecosus _{it}	1.000			
Acc _{it}	0.4294***	1.000		
Cpi _{it}	0.4293***	0.1807***	1.0000	
LnGDP	-0.0837*	0.0782	-0.1556***	1.0000
	0.0801	0.1022	0.0011	

Number of Observations = 438

Operational explanation of variables in table 2

***, **, * = p-value significant 1%, 5%, 10%

Source: Secondary data, STATA-17 output, 2025

The results presented in Table 3 show that ScoreEcoSusit exhibits a moderate positive correlation with Accrual ($r = 0.4294$; $p < 0.001$) as well as with CPI ($r = 0.4293$; $p < 0.001$).

This indicates that higher levels of accrual-based accounting adoption and stronger fiscal transparency are generally associated with greater economic sustainability. Furthermore, the relationship between Accrual and CPI is positive though relatively weak ($r = 0.1807$; $p < 0.001$), suggesting that reforms in public sector accounting systems are linked to perceptions of corruption levels, even though the strength of this association is not substantively robust.

In contrast, the control variable LnGDP demonstrates a very weak negative correlation with ScoreEcoSusit ($r = -0.0837$; $p = 0.0801$) and CPI ($r = -0.1556$; $p = 0.0011$), and a very slight positive correlation with Accrual ($r = 0.0782$; $p = 0.1022$). These findings reinforce the view that macroeconomic capacity, as measured by GDP per capita, does not exhibit a strong linear relationship with either economic sustainability or fiscal governance. Its role is therefore more appropriately positioned as a control variable to reduce potential estimation bias. Overall, the observed correlations are consistent with theoretical expectations, underscoring those institutional factors namely accrual-based accounting and fiscal transparency are more influential in shaping economic sustainability than macroeconomic indicators alone.

Hypothesis Testing

Table 4 presents the results of the hypothesis testing, showing the path coefficients, t-statistics, and p-values used to determine whether each proposed hypothesis is supported.

Tabel 4

Hypothesis Testing Results

Variable	Expected sign	Scoreecosusit
Cons		34.002 0.000
Accrual _{it}	H1(+)	2.557*** 0.000
Cpi _{it}	H2(+)	0.135*** 0.000
LnGDP	H2(+/-)	-0.156 0.284
Wald chi2(3)		87.50
Prob > F		0.000
Adj R-squared		0.315
Mean VIF		1.05

Number of observations = 438

Explanation of operationalization of variables in table 1.

***=P-value significant 1%

Source: Secondary data, STATA-17 output, 2025

Table 4 presents the estimation results of the panel data regression model using the Random Effects (RE) approach, applied to examine the influence of accrual-based accounting, fiscal transparency (CPI), and gross domestic product per capita (LnGDP) on economic sustainability (Scoreecosusit). The RE model was selected because the primary source of variation lies in cross-country differences, while the relatively short observation period (2022–2024) does not allow for in-depth exploration of temporal dynamics.

Overall, the model is statistically significant, with a Wald χ^2 (3) value of 87.50 ($p < 0.001$), indicating that the independent variables jointly contribute to explaining cross-national variation in economic sustainability. The overall R-squared value of 0.3153 suggests that approximately 31.5% of the variation in economic sustainability is explained by the model, while the remainder is attributable to factors outside its scope. This proportion of explained variance is higher than in the preliminary test, reflecting that the final specification provides stronger explanatory power in the cross-country context.

At the partial level, the results demonstrate that Accrual exerts a positive and significant



effect, with a coefficient of 2.5578 ($p < 0.001$), confirming that higher levels of accrual accounting adoption are associated with stronger economic sustainability. Similarly, CPI yields a positive and significant coefficient of 0.1305 ($p < 0.001$), suggesting that improvements in fiscal transparency, reflected in lower levels of corruption, also strengthen economic sustainability. In contrast, the control variable LnGDP shows a small negative coefficient of -0.1566 with $p = 0.284$, indicating no statistically significant effect. This finding implies that macroeconomic capacity does not exert a direct influence on economic sustainability once fiscal governance and transparency are accounted for.

Additionally, the model constant of 34.003 ($p < 0.001$) is statistically significant, indicating a baseline level of positive economic sustainability even when the independent variables are minimal. Diagnostic tests further confirm the robustness of the model. The average Variance Inflation Factor (VIF) of 1.05 falls well below the commonly accepted threshold of 10, suggesting no evidence of serious multicollinearity among the independent variables. This ensures that the estimated contributions of each predictor can be interpreted as valid and independent within the empirical framework.

Discussion

The estimation results indicate that the accrual-based accounting variable exerts a positive and significant influence on economic sustainability. This finding supports the first hypothesis (H1), which posits that higher levels of accrual accounting adoption led to greater economic sustainability across countries. Theoretically, this result aligns with the framework of Sustainable Development Theory, which emphasizes fiscal stability and intergenerational resource management as the foundation of sustainable economic development (Brundtland, 1987; Klarin, 2014). Accrual accounting enables more comprehensive recognition of liabilities and assets, thereby improving the quality of public financial reporting and allowing governments to design fiscal policies with a long-term perspective (Brusca et al., 2013; Cohen et al., 2023). From the perspective of Stakeholder Theory, accrual-based reporting enhances governmental accountability to multiple stakeholders legislatures, the public, and international institutions (Freeman & Phillips, 2002; Gray et al., 1995). Thus, accrual accounting is not merely a technical practice but also an institutional mechanism for maintaining social legitimacy, which in turn reinforces economic sustainability. This cross-country evidence strengthens previous empirical findings (Faradila et al., 2024; Awalia et al., 2024) while offering novelty by demonstrating the consistency of this relationship across 167 countries using global panel data.

Furthermore, the regression results confirm that the Corruption Perceptions Index (CPI), serving as a proxy for fiscal transparency, has a positive and significant effect on economic sustainability. This supports the second hypothesis (H2), which argues that higher CPI scores (lower corruption) strengthen governmental transparency and, consequently, enhance economic stability. Within the Stakeholder Theory framework, fiscal transparency serves as a crucial instrument to build public trust and ensure civic engagement in overseeing the use of public resources. From the perspective of Sustainable Development Theory, transparency acts as an institutional determinant that guarantees the continuity of economic policies over the long term by minimizing distortions caused by corruption and strengthening fiscal credibility (Houge, 2025; Ulya & Astuti, 2018). These findings are consistent with the literature that highlights the role of fiscal openness in increasing investor confidence and reinforcing macroeconomic stability (Mauro, 1995; Lambsdorff, 2007). Accordingly, this study reaffirms the importance of cross-national transparency as one of the main determinants of global economic sustainability.

In contrast, the control variable LnGDP per capita yields a negative but statistically insignificant coefficient. Substantively, this suggests that macroeconomic capacity alone does not directly ensure economic sustainability unless it is complemented by strong fiscal

governance and adequate transparency. This is in line with Acemoglu and Robinson (2012), who emphasize that institutional quality and public governance play a more fundamental role than mere prosperity levels in explaining cross-country development differences. Therefore, although GDP per capita is often assumed to be a primary determinant of sustainability, the findings of this study indicate that institutional factors namely accrual accounting adoption and fiscal transparency are more decisive in strengthening economic sustainability. These insights extend theoretical understanding by highlighting the interaction between structural and institutional factors as the foundation of sustainable development.

CONCLUSION

This study concludes that the implementation of accrual-based accounting and fiscal transparency are key determinants in strengthening economic sustainability across countries. Theoretically, the findings affirm that accountable and transparent fiscal governance forms a critical foundation for sustainable economic development, while also highlighting the role of accrual accounting as an institutional mechanism that enhances the quality of financial information, strengthens accountability, and facilitates the design of long-term public policies. Fiscal transparency, represented by lower levels of corruption, is shown to be an essential instrument for building public trust and ensuring economic stability. Accordingly, this study provides a conceptual contribution by emphasizing that economic sustainability is not primarily determined by macroeconomic capacity, but rather is more fundamentally supported by the quality of governance and institutional integrity.

From an empirical standpoint, this research offers novelty by examining the simultaneous effects of accrual accounting and fiscal transparency on economic sustainability within a global panel data framework. The results broaden existing knowledge by showing that institutional factors exert greater influence on economic sustainability than traditional macroeconomic indicators such as GDP per capita, which in this study was found to be statistically insignificant. The evidence underscores that transforming public financial reporting systems and strengthening transparency are more substantive strategies for supporting stability and long-term sustainability than merely improving conventional macroeconomic metrics.

The practical implications of this research are strategic. For governments, the findings highlight the urgency of accelerating accrual accounting adoption as part of broader fiscal reforms. For public auditors and oversight bodies, the results emphasize the importance of reinforcing fiscal transparency systems to safeguard public trust. For international organizations, this study provides an empirical basis for designing technical assistance programs that focus on enhancing fiscal governance capacities, particularly in developing countries. Consequently, the findings can serve as a reference for the formulation of more sustainable global economic policies.

Despite its contributions, the study has several limitations. The relatively short observation period constrains the ability to capture long-term dynamics of economic sustainability. Furthermore, the scope of variables is limited to accrual accounting, fiscal transparency, and GDP per capita, which does not fully reflect the complexity of political, social, and technological factors that also shape sustainability outcomes. These limitations highlight the need for future research with a broader temporal scope, more diverse variables, and more advanced methodological approaches to provide a more comprehensive understanding of the determinants of economic sustainability in the global context.

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