Article

Implementation of Accrual Accounting in the Public Sector: Evidence from Indonesia

GLIMS Journal of Management Review and Transformation
1(1) 77–90, 2022

DOI: 10.1177/jmrt.22.1023252
mrt.spectrumjps.com
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Abstract

This article is inspired by complexities in the adoption and implementation of accrual accounting (AA), which has been explored in the public sector accounting literature, and seeks to examine its implementation in the Indonesian public sector. Using case-based research, the article is underpinned by Gramsci's theory of hegemony to construe the process of the implementation of AA. The article adopts a qualitative research method including interviews with senior regulators of public sector reforms in Indonesia and an extensive review of documents, literature and reports to construct a historical analysis. The data reveal that international donor organizations such as the International Monetary Fund (IMF) and the World Bank influenced the implementation of AA in Indonesia. In line with Gramsci's theory of hegemony, the international organizations directed the senior Indonesian regulators to perceive that AA was indispensable. Therefore, AA was implemented because of hegemonic influences and attempts to seek legitimacy. The empirical evidence provided identifies that major public sector reforms are complex. This is even more evident in new emerging market countries like Indonesia, where the intentions underpinning reforms may be challenging to realize and are driven by factors outside the control of those tasked with its

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adoption and implementation. The article is novel in identifying and interpreting the influence of the IMF, the World Bank, and other international organizations on the implementation of AA in Indonesia through the lens of Gramsci's theory of hegemony.

Keywords

accrual accounting, government accounting standards, Indonesian public sector, hegemony, public sector reforms

Introduction

Traditionally, the public sector accounting systems have been cash or fund accounting systems which provided information on what cash receipts have been paid to the entity and how cash appropriations were made (Diamond, 2002; Guthrie, 1998). Unlike this system, the accrual accounting (AA) system records revenue when a product or service is delivered to a customer with the expectation that money will be paid in the future. Expenses of goods and services are recorded despite no cash being paid out yet for those expenses. The proponents of the AA system claim that it carries the advantage of focusing on resource flows according to the period in which they are generated or consumed, which in turn helps in creating a more accurate picture of the cost of services. According to Guthrie (1998), the adoption and implementation of AA and budget techniques in the public sector have not been an end in itself, but rather a means to the enactment of significant changes in the scope, scale, and style of public sector administration and activity.

Australia and New Zealand pioneered AA for the public sector since the late 1980s (see, e.g., Buhr, 2012; Carlin, 2005). New Zealand became the first nation to implement AA at both national and agency levels and produce its financial statements on a full accrual basis (Baker & Rennie, 2006; Carlin, 2005). Whereas the migration to AA in New Zealand was in a whole-of-government basis, in Australia, the change was initiated in 1988 by the local government of New South Wales and implemented over three years, ahead of other states in Australia (Christensen, 2002).

The change toward the implementation of AA in both Australia and New Zealand was primarily brought about by internally induced new public management (NPM) reforms, either caused by fiscal stress or by the enthusiasm of politicians to introduce a business-like management system in the respective governments. This also appears to be the case for most developed countries (Harun et al., 2012). For example, Ellwood (2002) attributes the transformation to AA in the United Kingdom to the NPM reform process led by a perceived need for improved information. On the other hand, the reform of public sector accounting in Canada by the coercive influence from the Office of the Auditor General of Canada was supported by the normative effect of the Canadian Institute of Chartered Accountants' Public Sector Accounting Board (Baker & Rennie, 2006). On the other hand, limited studies from developing countries have shown that the same change in the less developed or emerging nations was caused by external pressure from international donor and funding organizations (Buhr, 2012).

According to James and Manning (1996), the World Bank and the International Monetary Fund (IMF) coerced developing countries to implement management reforms in various public sectors. In the book *Globalization and Its Discontents*, Stiglitz (2002) mentioned that the IMF and the World Bank dictated several countries (e.g., Bolivia, Argentina, Indonesia, Thailand, Malaysia, South Korea, Botswana, Kenya, Russia, and the Czech Republic) to implement management reforms in public sectors. Also, Turner (2002) and Koike (2000) identified that these international organizations have been influencing public sector reforms in Southeast Asia countries such as Singapore, Malaysia, Philippines, Thailand, Indonesia, Laos, Cambodia, Burma, and Brunei.

Internationally, the activities and roles of the IMF in developing the economic order have reached a stage of *hegemony* (Alawattage & Wickramasinghe, 2008; Mueller, 2011). According to Annisette (2004), the IMF, along with its sister organization, the World Bank, stands at the center of the modern global capitalist economy and functions both as *financial hegemon* and *intellectual hegemon*. The concept of *hegemony* originated from Gramsci's thought that refers to a condition where a particular class (a powerless class) gives the right to another class (a dominant class) to control the entire society (Simon, 1991). The consent makes the power or authority and has the legitimacy to be exercised. The *hegemony* power is the predominance obtained by the consent rather than the violence or coercion of one class over other classes (Cerny, 1992; Femia, 1975, 1981; Fontana, 1992; Gillis, 2011; Matsuda & Ohara, 2008; Simon, 1991). The term of *hegemony* has opposed meaning with domination, force, dictatorship, and coercion (Fontana, 2008; Yee, 2009); conversely, it has a relationship with the sense of consensus and persuasion (Simon, 1991).

This research arises from the curiosity regarding the stories that exist behind the implementation of AA in Indonesia. It is inspired by the reality (the thought) stating that the IMF has got a *hegemonic* position. However, in the case of implementing AA in Indonesia, the IMF applies coercion that contradicts the approach which is usually exerted in a developing *hegemony* (i.e., persuasion and consensus). Accordingly, this research seeks to answer the question that is inspired by that contradiction:

RQ1: Can the IMF influence the implementation of AA in Indonesia be categorized as the process of *hegemony*?

The article is structured as follows. The next section presents a brief literature review on the impact of international donors on the accounting systems of developing countries. The section on Gramsci's Theory of Hegemony explores the hegemony theory interpreted through the lens of Gramsci's thoughts. The fourth section outlines the research method used, followed by the section that presents the findings of the study. We interpret the results through Gramsci's theory of hegemony and provide logical explanations as to how the implementation of AA in Indonesia can be categorized as a hegemony process. The final section concludes the article by outlining the implications and limitations of this research.

Literature Review

The Asian financial crisis experienced by Indonesia in the early 1980s had driven technocrats in the Indonesian Ministry of Finance to propose a change to government accountancy. Prawiro (1987) argued that the old accounting systems inherited from the Dutch had been unsuccessful in keeping up with the government needs. The financial crisis, caused by a drop in the oil price, significantly affected Indonesia, which was an exporter of crude oil at the time (Harun et al., 2012). Government revenues, which derived mostly from oil exports, decreased considerably leading to Indonesian government seeking more financial aids from outside (Harun et al., 2012; Prabowo et al., 2018). During this time of fiscal crisis, the government was under scrutiny by the international monetary authorities, and as a result, transparency and accountability of public funds were in focus (Prabowo, 2015).

In response to the demand for transparent and accountable use of public funds, a project to reform accounting practice was approved and fully funded by the World Bank (1988). The most significant shift to a more accrual basis was the double-entry recording and introduction of balance sheet accounting. In this basis of recording, all revenues and expenditures are on a double-entry basis, with offsetting debits and credits. Whereas double-entry accounts are used to improve the accuracy and completeness of government accounts, a balance sheet is introduced to support accountability for state investments (World Bank, 1988).

The IMF and the World Bank advocate these reforms, programs, and structural adjustment in specific countries for augmenting the adoption of neoliberalism (Cox, 1983; Ellwood & Newberry, 2007; Prabowo et al., 2018). Many scholars, for example, Stiglitz (2002), Engel (2008), Rosser (1999), Ellwood and Newberry (2007), Rupert (2000), Cooper et al. (2003), Harvey (2005), and Steger and Roy ((2010) identify neoliberalism as an ideology which underpins the IMF operation. The "Washington Consensus" in 1989 is alleged as a landmark of neoliberalism proliferations. At that time, the IMF, the World Bank, and the US Treasury agreed to adopt a different approach in the international economic development and monetary stabilization (Stiglitz, 2002), the approach, later identified as the neoliberalism ideology.

The IMF and the World Bank had an interest in the implementation of AA at the microlevel or at the level of institutions, organizations, or entities (Ellwood & Newberry, 2007). They state that AA is a neoliberalism instrument for creating efficiency and transparency, which are essential requirements for creating competition among public sector entities. Furthermore, Sheila Ellwood and Newberry (2007) state that the implementation of AA supports the advancement of neoliberal policies of privatization, market competition and global business corporations.

The IMF and the World Bank imposed AA in emerging economies (Harun et al., 2012). The pressure of those international donor organizations in implementing AA in particular jurisdictions was observed by accounting scholars, such as Timoshenko and Adhikari (2009) and Adhikari and Mellemvik (2011). In Russia, donor institutions such as the World Bank and the IMF were able to impose specific budgeting and accounting requirements on the countries that depend on their financial support (Timoshenko & Adhikari, 2009). The Nepalese government had the same experience; Adhikari and Mellemvik (2011) conclude that institutional pressures that originate from international organizations, such as the IMF, motivated governments to implement AA.

Although the World Bank and the IMF have different mission, their activities are intertwined (Stiglitz, 2002). It is a common practice that funding and support from the World Bank will be obtained if it is ratified by the IMF (Stiglitz, 2002). With the approval authority, the IMF imposes conditions on the country which need loans to recover its economy, especially in a period of crisis (Prabowo, 2015). The operation of the IMF in a particular country is side by side with the World Bank.

Gramsci's Theory of Hegemony

The origins of Gramsci's thoughts are based on the Marxist doctrine stating that there are two and only two classes: those "haves" who are the owners (or the capitalists or the dominant class as the *bourgeoisie*) and those "have-nots" who are compelled to sell their labor (as the laboring class or powerless class as the *proletariat*) (Schumpeter, 1950). The two fundamental classes are essentially antagonistic to each other (Schumpeter, 1950). Instead of using the term *proletariat*, Howson and Smith (2008) use *subalternity* to referred to a subordinate class with a lack of political autonomy.

However, different from the Marxist doctrine, Gramsci views *proletariats* as generally not in a state of constant rebellion or revolution toward the *bourgeoisie*. Gramsci identified that there are no necessary and sufficient conditions to rouse revolutions, as Marxism suggests (Fontana, 1992). Instead of incessantly revolting (fighting) the capitalist, most of the time, they work together or go along with the capitalist or with the state and other classes which are still controlled by the capitalist (Garner, 2007). They render "a right to rule" to the *bourgeoisie* and accept the legitimacy of *bourgeoisie* power in society.

Principally, Gramsci's thoughts are a socialist strategy of the *proletariat* in challenging the *hegemony* of the *bourgeoisie* (Haugaard, 1992). Gramsci constructs a master concept to explain the methods of how the *bourgeoisie* can obtain domination in the modern capitalist society.

The *bourgeoisie* is able to occupy the *hegemony* position (status) because they can transform their class interests to be the collective value of the whole society, and not necessarily for the *bourgeoisie* alone (Haugaard, 1992). Gramsci uses the term of *national popular* to refer the collective interest and value. Through the *national popular*, the *bourgeoisie* class gained consent from other classes (Haugaard, 1992). Gramsci provides patriotism and nationalism as examples of the *national popular*.

In the process of obtaining consensus, Gramsci accentuates on consensus and leadership. *Hegemony* delineates between concepts of coercion and consent, and domination and leadership (Jones, 2006). Also, he constructs the concept of *intellectual* role in building consensus (Fontana, 1992; Matsuda & Ohara, 2008; Simon, 1991). *Intellectual* is the "organizers of the consent and persuasion" (Fontana, 1992). *Intellectual* has a substantial role in creating *hegemony*, especially in building *national popular* which refers to a particular character that can unify a variety of different social strata into a national alliance which is free from class interest (Simon, 1991). The transformation from strata or groups interests into *national-popular* consciousness can only be done by *intellectual* groups. The process of *hegemony* starts with educating people to accept the new social order to build consensus (Davidson, 2008). The process ends when an entire society acts in line with the *national popular*. It means that the *national popular* will be a standard of moral conduct (Simon, 1991).

Gramsci uses the term "organic intellectual" to refer the intellectuals who have the capability of creating the above-mentioned transformation. He uses the word "organic" to mean that the intellectual is thoroughly intertwined with all classes, not only to particular groups or castes (Garner, 2007). Gramsci refers to this group as *organic intellectuals* who, unintentionally, by their socialization, effectively disseminate *bourgeoisie hegemony* (Cerny, 1992).

Intellectuals have a role in developing the "cultural conditions" for creating a new *hegemony.* Gramsci extends the definition of *intellectuals* which does not only consist of philosophers, thinkers, writers, and artists, but also organizers such as civil servants and political leaders. For Gramsci, apparatus such as engineers, managers, and technicians are included as intellectuals (Simon, 1991). In the *Prison Notebook* (Hoare & Smith, 1971), he states the role of the intellectual:

> It can be observed that the "organic" intellectuals which every new class creates alongside itself and elaborates in the course of its development, are for the most part "specialisations" of partial aspects of the primitive activity of the new social type which the new class has brought into prominence.

Gramsci proposes that the process of transformation from *proletariat* values be the whole society consciousness through *interiorization* and capillary penetration (Matsuda & Ohara, 2008). The "capillaries of penetration" emphasizes on diffusions of values or practices by interactions. *Hegemony* views that power does not flow through the "big arteries" of the large organization of the political and economic systems (such as military and police) but trickles down through interactions between individuals. Power is not merely coercion exercised by the state or a few large organizations or apparatuses. Instead, it flows through all human interactions, for example, in the relationship between a professor and a student, a husband and wife, a police officer and a suspect, a supervisor and a worker, and a doctor and a patient. Power does not mean rights to oppress or coerce but persuade someone to do something.

Gramsci views civic institutions, such as schools, libraries, voluntary associations and various clubs, religious groups (especially the Catholic Church), universities and colleges, and unions, as part of the social (civil) society (Fontana, 2008). Gramsci states that the consensus is generated in civil society. He delineates "two major superstructural" sphere: civil society and political society (Goddard, 2002). Civil society consists of private organizations, and, that political society is the State. *Hegemony* is built through interaction within the civil society sphere, and domination and coercion are exercised within the political society (Femia, 1975). These two kinds of society are connected by intellectuals (Femia, 1987) as such intellectuals act as links or mediators between subordinate and the dominant groups (Fontana, 1992).

In the last series of his writings, Gramsci amalgamated the concepts of political society and civil society (Femia, 1975). He broadened the meaning of the state, viewing the integral state as being operated based on domination and coercion (in political society) and consensus and persuasion (in civil society) (Femia, 1975). He conceived societies as intimately interwoven spheres that cannot be analyzed separately (Femia, 1975). He referred to integral states consisting of civil and political society as institutions which operate with consensus and coercion (Femia, 1975).

Gramsci's theory explored the *hegemon*y, which is built on the integral society sphere (area). Gramsci uses the term *historic bloc* to refer the part of history when a particular class dominates other class by consensus in a specific integral society. The *historical bloc* is a history episode when the capitalist, for example, achieves *hegemony* position over the *proletariats* (subalternities). *Hegemony* is not permanent and static, but dynamic and changing (see Cahill, 2008; Engel, 2008; Matsuda & Ohara, 2008; Simon, 1991). Maintaining the position of *hegemony* requires persistent activities to maintain and strengthen the social authority of the ruling class in all areas of civil society. Also, it needs to compromise with other classes to build alliances to challenge the opposing forces (Simon, 1991; see Engel, 2008; Matsuda & Ohara, 2008). Once a class or social group has achieved *hegemony* in a particular "historical bloc," the system of alliances has to be continually re-adjusted and re-negotiated. Occasionally, the historical bloc is interrupted by a crisis that causes *hegemony* to disintegrate. The crisis creates opportunities for a "subalternity" to move up and build up movements that are capable of challenging the existing order, and then will achieve *hegemony*. However, if opportunities are not taken, the dominant class (capitalists) will resuscitate *hegemony* and establish a new alliance (Simon, 1991).

Research Methods

This study uses a qualitative approach to describe the history of the implementation of AA in Indonesia. Two data sources were used: literature reviews and interviews. The first source of data for the literature review was collected from published materials from academic books and research articles in public sector accounting, and also reports officially published articles by the Government of Indonesia (GOI), the IMF, and the World Bank, both in written (printed) and webpage formats. Findings from these reviews support the theory that is explained in the previous section.

The second source of data was collected from interviews with senior accountants who had experience as members of the committee of the Indonesian Government Accounting Standard (GAS) in the current and past periods. This enabled us to obtain information on the history of AA in Indonesia and to construct knowledge regarding the role of the IMF in influencing the GOI to implement AA. The list of the potential interviewees was drawn from the GAS committee website. The committee consisted of three subcommittees: "consultative committee," "working committee," and "workgroup." The decision-making process of the GAS is centered (concentrated) on the "working committee" that comprised of nine members. The "workgroup" consisting of 31 members was tasked with providing materials to the working committee. Politically sensitive problems or those that needed further academic consideration were referred to the "working committee" which in turn referred to the "consultative committee." This committee consisted of six members. Twenty members were contacted via telephone and email to participate in the interviews. Fourteen members agreed to participate, whereas the remaining six declined the invitation.

We use semistructured interviews to track the history of the implementation of AA and to develop knowledge regarding the IMF's role in influencing the GOI to implement AA. In undertaking these qualitative interviews, we obtained data about experiences, thoughts, and judgments in setting AA regulation and standards. All interviews were conducted in the Indonesian language (Bahasa) and were recorded. Each of the interviews lasted up to 90 minutes. The interviews were held in the offices or houses of interviewees. The recorded interviews were translated in English, transcribed and summarized. These summaries were reviewed to ensure that the crucial statements were appropriately interpreted.

The data were then analyzed by categorizing responses or comments of interviewees. The coded data were then tabulated into categories such as involvement period, institutions, and the personality (trait) of the interviewees (e.g., level of education and tenure of service or experience). Also, we identified the interviewees' responses that are attention-grabbing statements. All other relevant documents written in Bahasa were also translated to English. Finally, the data were also analyzed through the lens of the socio-political theory that explained the data in a consistent manner.

Findings

Because of the limitation on the length of this article, we are unable to provide detailed findings of the interviews and documentary analysis supported by direct quotes and references (for details, please see Prabowo, 2015). However, we list the following five results of the study in this section which explain the influence of the IMF and the World Bank in the implementation of AA in Indonesia:

1. The IMF used coercion or pressure on the GOI to implement AA in the period of the economic restoration after the financial crisis of 1997.

2. None of the interviewees mentioned that the IMF influenced or contributed in the following period or the transition period 2003–2010.
3. Interviewees identify the international organizations as contributors to the implementation of AA in Indonesia, in terms of funding (grant and loans), training (workshop, seminar, and internship), education, advice, and consultation.
4. International organizations contributed to the implementation of AA.
5. There was consensus in the implementation of AA.

We now interpret the above five findings through the lens of Gramsci's theory of *hegemony*. While analyzing the interviews, we identify that the IMF used coercion on the GOI to implement AA in the period of ratification of the Law of State Finance No. 17/2003 at the same time with the economic restoration from the financial crisis of 1997. This did not automatically mean that the implementation process of AA in Indonesia contradicted with the *hegemony* theory. Davidson (2008) interprets that although *hegemony* theory emphasizes consensus, *hegemony* is sustained (maintained) through both persuasion and coercion. The coercion approach may be used, mostly at a time of crisis. Gramsci proposes that the term *organic crisis* which refers to a crisis that occurs randomly is instantaneous and fortuitous. It is different from regular changes that are relatively permanent and not devastating (Simon, 1991). The *organic crisis* requires "a new balance of political forces, requiring a reshaping of State institutions as well as the formation of new ideologies" (Simon, 1991). If the dominant class does not force, the opposition (subalternities) will succeed in building a new system of alliances which will re-establish their *hegemony* (Simon, 1991). These are in line with the first research finding, indicating that the IMF used coercion or pressure on the GOI to implement AA in the period of the economic restoration after the financial crisis 1997.

However, the second finding indicates that none of the interviewees mentioned that the IMF influenced or contributed in the following period or the transition period 2003–2010. The interviewees say that the World Bank, United States Agency for International Development, Organisation for Economic Co-operation and Development (OECD), Australian Agency for International Development, Canadian International Development Agency, Swiss Agency for Development and Cooperation, and Asian Development Bank (ADB) made contributions in the implementation of AA in Indonesia. These findings are in line with Chan's (2006) proposition which states that the experiences and counsel of consultants sent by international organizations, such as the World Bank, the IMF, the ADB, and OECD, made a significant contribution in building government accounting in developing countries. From the *hegemony* perspective, those donor organizations have the same characteristics with civil society components, and their interactions, activities, and structures are based on noncoercive, nonstate, and nonmarket (economic) principles (Anheier et al., 2001; Katz, 2006). These donor organizations are identical with trade unions, schools, professional, educational and cultural associations, parties, and churches, which are mentioned by Gramsci as examples of components of civil society. Theoretically, parts in civil society are designated by the state (political society) and used to secure the acceptance of the dominated classes (ruling class) to create *hegemony* (Katz, 2006).

The third finding indicates that the interviewees identify the international organizations as contributors to the implementation of AA in Indonesia, in terms of funding (grant and loans), training (workshop, seminar, and internship), education, advice, and consultation. Also, several interviewees obtained knowledge of AA from the international workshops and conferences, and also from informal discussions. These findings are consistent with the *hegemony* power, the capability of influencing the others to do "something which they would not otherwise do" (Cerny, 1992). This is diffused (proliferated) into society through interactions among individuals, instead of via formal political (such as military force) and economic (such as government institutions) systems. In the process of the proliferation, Gramsci emphasizes on the role of the *organic intellectuals* to create conditions on which people render "a right to rule" to another class and accept the legitimacy of the other class in society.

The role of the "organic intellectual" is identical with "epistemic communities." Laughlin and Pallot (1998) brought the concept of "epistemic communities" into accounting development. They refer to the "epistemic communities" as intellectuals who have "critical ability in guiding the direction of the policies forthcoming" in the public sector and accounting reforms. The term "epistemic communities" itself denotes groups which have a function to propose and convince solutions to resolve particular problems faced by policymakers. Communities provide clear and precise guidance as to how to act for decision-makers. In this way, communities have a strategic position in the decision-making process on which lies power and authority. Mark Christensen (2005) affirms that the histories of the implementation of AA provide evidence regarding the vital role of consultants in that process. Furthermore, Adler and Haas (1992) argue that the importance of the "epistemic communities" in the period of crisis and dramatic event have an alerting effect on decision-makers.

We explain the fourth finding which indicates that international organizations contributed to the implementation of AA in Indonesia. It was identified that several interviewees stated that the implementation of AA was indispensable and undeniable. They indicated that they faced "no alternative situation," except implementing AA. From the *hegemony* theory point of view (perspective), the "no alternative situation" leads people to consent and accept the domination of the other and voluntarily gives the right to others to rule.

The fifth finding indicates that there was a consensus in the implementation of AA in Indonesia. In detailing these findings, we bring in several quotations which indicate the consent and acceptance of the interviewees toward the influence of the international organizations to implement AA in Indonesia. One of the interviewees stated that he accepted the Government Finance Statistics reports, although the concept of that report originated from the IMF because the accounts provide information which is useful for fiscal policy. Another interviewee stated that he accepted the influence of international organizations because he did not perceive that the GOI would lose its sovereignty. This observation is in line with the *hegemony* theory that emphasizes the persuasion and acceptance process to acquire *hegemonic* positions.

The discussion above explains the existence of the influence of international organizations in the implementation of AA in Indonesia. We find that the influence is identical with Gramsci's theory of *hegemony*. However, the research cannot identify the dominant class that obtains the *hegemonic* position. The hegemony theory assumes that there are two classes: the *bourgeoisie* and the *proletariat.* None of the interviewees identified the IMF influence in the transition period. Instead, they mentioned many international organizations that made a contribution to the implementation of AA in Indonesia. This article does not have enough evidence to support a proposition stating, this time is a historic bloc in which the IMF has achieved the *hegemonic* position in the international relationship.

Conclusion

In line with Gramsci's theory of *hegemony*, we can conclude the findings of the study as follows. First, the process of the implementation of AA in Indonesia is characterized as the combination of force and consent, with persuasion predominating over force (coercion). Second, the knowledge or concept of the implementation of AA is diffused (proliferated) to the accounting society in Indonesia through interactions among individuals, instead of formal political interactions. The process of diffusion is identical to the process of *interiorization* and *capillary penetration*. Third, the *interiorization* process is supported by many international organizations with the same characteristics as civil society components of Gramsci's thoughts. In their interactions, activities, and structures, those organizations emphasize on noncoercive, nonstate, and nonmarket (economical) principles. Fourth, because of these interactions, the interviewees perceive that AA is superior to other methods of accounting and that it is indispensable and unavoidable technology that should be implemented in Indonesia. Fifth, interactions with the international organizations also led the interviewees to give consent and acceptance toward their influence in the implementation of AA in Indonesia.

Although this article can identify that the implementation of AA in Indonesia is consistent with the principles of *hegemony* theory, it is unable to identify the dominated class. The *hegemony* theory originates (instigates) with the doctrine which stated that there are only two classes: the *bourgeoisie* and the *proletariat*, which are antagonistic to each other. On the *hegemonic* scheme of the implementation of AA above, the *proletariat* is the GOI. Several scholars (Alawattage & Wickramasinghe, 2008; Annisette, 2004) assume that, in the new international order, the IMF is the independent *hegemon* (the dominated class). Other scholars (Katz, 2006; Mueller, 2011; Rupert, 2000) refer to the USA as a dominant state. They believe that the USA has a political agenda to bring neoliberalism as an international ideology. The US *hegemony* is supported by other states and nonstate actors (such as the World Bank and the IMF) (see also, Davis & McGregor, 2000; Hattori, 2003; Howell, 2000; Katz, 2006; Rupert, 2000) to maintain their *hegemony*. However, this article cannot provide logical explanations and evidence that support these views.

This research has a limitation in that it only reviews documents that are officially published by the IMF, the World Bank, the GOI, and other international organizations to develop knowledge regarding the involvement of the IMF and the World Bank in the implementation of AA in Indonesia.

Declaration of Conflicting Interests

The authors declared no potential conflicts of interest with respect to the research, authorship and/or publication of this article.

Funding

The authors received no financial support for the research, authorship and/or publication of this article.

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