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The Impact of Accrual Accounting Adoption on Financial Information Quality in Vietnam's Public Sector

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A B S T R A C T

Digital transformation has emerged as a critical driver of enterprise modernization and sustainable economic development in the digital era. At the same time, improving energy efficiency has become an increasingly important priority for enterprises seeking to enhance competitiveness, reduce operational costs, and support environmental sustainability. This study examines the relationship between digital transformation and energy efficiency among Vietnamese enterprises and explores its implications for green growth and sustainable development. The study employs a quantitative research approach combined with secondary data analysis using information collected from national and international sources, including the General Statistics Office of Vietnam, the Ministry of Industry and Trade, the Ministry of Information and Communications, the World Bank, the International Energy Agency, OECD, and UNDP during the period 2015–2025. The findings indicate that digital transformation significantly contributes to improving energy efficiency through several mechanisms, including smart energy management, process automation, predictive maintenance, and data-driven decision-making. These digital solutions enable enterprises to optimize resource utilization, reduce energy waste, improve productivity, and strengthen operational performance. Furthermore, enhanced energy efficiency supports green growth by lowering carbon emissions, increasing resource productivity, and improving enterprise competitiveness. The study also confirms the relevance of the Resource-Based View, Technology Acceptance Theory, and Green Growth Theory in explaining the relationship between digital transformation and sustainable business development. The findings provide important implications for policymakers and enterprises seeking to accelerate digital transformation, improve energy efficiency, and support Vietnam's transition toward a sustainable and low-carbon economy

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INTRODUCTION

Over the past three decades, public financial management reforms have become an essential component of governance modernization efforts worldwide. Increasing demands for fiscal transparency, accountability, efficient resource allocation, and evidence-based decision-making have encouraged governments to improve their financial reporting systems and management practices. Within this context, one of the most significant reforms has been the transition from traditional cash-based accounting to accrual accounting in the public sector, reflecting the principles of New Public Management and the growing emphasis on performance-oriented governance. Compared with cash accounting, accrual accounting recognizes economic events when they occur rather than when cash is received or paid, thereby providing a more comprehensive view of an entity's financial position and performance. By recording assets, liabilities, revenues, and expenses in the periods to which they relate, accrual accounting enhances the ability of public organizations to assess financial sustainability, monitor resource utilization, and support long-term policy decisions. Consequently, many developed and developing countries have adopted accrual-based accounting systems as part of broader public sector reforms aimed at improving governance and financial accountability.

The International Public Sector Accounting Standards (IPSAS), issued by the International Public Sector Accounting Standards Board (IPSASB), have become the primary international framework guiding this transition. IPSAS promotes greater transparency, comparability, and credibility of public financial reporting, thereby strengthening accountability and improving public financial management. Following this global trend, Vietnam has initiated a gradual transition toward accrual-based accounting through the development and implementation of Vietnam Public Sector Accounting Standards (VPSAS), which are largely based on IPSAS while taking into account the country's institutional and administrative context. Despite these reform efforts, the quality of financial information in Vietnam's public sector continues to face several challenges. Traditional accounting practices often fail to provide timely and comprehensive information on public assets, liabilities, and future financial obligations, resulting in an incomplete assessment of fiscal risks and financial sustainability. The limited recognition of assets and liabilities also reduces the usefulness of financial reports for decision-making, strategic planning, and performance evaluation. Although previous studies have examined implementation challenges and institutional readiness for accrual accounting reforms, empirical evidence regarding the actual impact of accrual accounting adoption on financial information quality in Vietnam remains scarce. Most existing studies have focused on barriers to implementation rather than the outcomes of reform in terms of information usefulness and reporting quality.

Against this background, this study investigates the impact of accrual accounting adoption on financial information quality in Vietnam's public sector. Specifically, it seeks to examine whether the adoption of accrual accounting improves the quality of financial information, identify the factors that facilitate or hinder the effectiveness of implementation, and propose policy recommendations to strengthen public sector accounting reforms in Vietnam. In doing so, the study addresses three key research questions: whether accrual accounting improves financial information quality in public sector organizations, what factors influence the effectiveness of its implementation, and what policy measures are necessary to enhance financial transparency and accountability. This study contributes to both theory and practice in several ways. First, it provides empirical evidence on the relationship between accrual accounting adoption and financial information quality in a transition economy, thereby enriching the limited literature on developing countries. Second, it extends existing research on public sector accounting reforms by focusing on the outcomes of accrual accounting implementation rather than solely on implementation processes or institutional barriers. Finally, the findings offer practical insights for policymakers, public managers, and accounting professionals involved in the implementation of VPSAS and provide a scientific basis for improving accounting regulations, strengthening institutional capacity, and accelerating the transition toward accrual-based accounting in Vietnam's public sector.

LITERATURE REVIEW

The adoption of accrual accounting in the public sector has attracted considerable attention from researchers and policymakers over the past several decades. As governments increasingly seek to improve transparency, accountability, and fiscal sustainability, accrual accounting has emerged as a key component of modern public financial management reforms. Unlike cash accounting, which records transactions only when cash is received or disbursed, accrual accounting recognizes revenues, expenses, assets, and liabilities when economic events occur, regardless of cash movements. This approach provides a more comprehensive representation of an organization's financial position and performance, thereby enhancing the usefulness of financial information for decision-making and resource allocation. The theoretical rationale for adopting accrual accounting in the public sector is closely associated with the principles of New Public Management (NPM), which emphasize efficiency, managerial accountability, performance measurement, and results-oriented governance. Under this perspective, governments are expected to operate with management practices similar to those used in the private sector, including the use of accrual-based financial reporting systems. Accrual accounting enables public organizations to measure the full cost of public services, monitor long-term liabilities, evaluate asset utilization, and improve fiscal discipline. Consequently, many countries, including New Zealand, Australia, the United Kingdom, and Canada, have successfully implemented accrual accounting reforms as part of broader public sector modernization programs.

The widespread adoption of accrual accounting has also been strongly influenced by the development of the International Public Sector Accounting Standards (IPSAS). IPSAS provides internationally recognized guidelines for preparing accrual-based financial statements in the public sector and aims to improve the comparability, reliability, and transparency of financial reporting across jurisdictions. Previous studies suggest that IPSAS implementation contributes to higher-quality financial information by improving disclosure practices, strengthening accountability mechanisms, and reducing information asymmetry between governments and stakeholders. However, the effectiveness of IPSAS adoption often depends on institutional capacity, professional competence, information technology infrastructure, and political commitment.

Financial information quality has long been recognized as a fundamental objective of accounting systems. According to accounting conceptual frameworks, high-quality financial information should possess qualitative characteristics such as relevance, faithful representation, comparability, understandability, and timeliness. In the public sector context, transparency and accountability are often considered additional dimensions of information quality because public financial reports serve a broad range of stakeholders, including government agencies, legislators, citizens, donors, and oversight institutions. Financial information that is complete, reliable, and timely can support better budgeting decisions, improve resource allocation, strengthen fiscal oversight, and enhance public trust in government institutions. From the perspective of Decision Usefulness Theory, accounting information is valuable only if it improves the quality of decisions made by users of financial statements. Accrual accounting is therefore expected to increase financial information quality by providing more relevant and comprehensive information regarding public assets, liabilities, revenues, and expenses. Compared with cash accounting, accrual accounting offers a clearer understanding of financial obligations and resource consumption, thereby supporting strategic planning and long-term financial management. Similarly, Institutional Theory suggests that governments often adopt accrual accounting not only for efficiency reasons but also to gain legitimacy by aligning with internationally accepted standards and practices. The extent to which such reforms improve information quality, however, depends on how effectively the new accounting systems are implemented and integrated into organizational practices.

Empirical evidence regarding the impact of accrual accounting on financial information quality has produced generally positive but sometimes mixed findings. Studies conducted in developed countries have reported that accrual accounting improves transparency, enhances accountability, and supports more effective public sector management. Research in New Zealand and Australia, for example, indicates that accrual accounting contributes to better asset management and more informed policy decisions. Similar findings have been reported in several European countries where accrual-based reporting has strengthened fiscal monitoring and long-term financial planning. In developing and transition economies, however, the outcomes of accrual accounting reforms have been less consistent. While some studies report improvements in financial disclosure and reporting quality, others highlight persistent implementation challenges related to limited technical capacity, inadequate information systems, resistance to change, and insufficient institutional support. These findings suggest that the benefits of accrual accounting may depend not only on formal adoption but also on organizational readiness and implementation effectiveness.

In Vietnam, research on public sector accounting reforms has primarily focused on the readiness for IPSAS adoption, implementation barriers, and institutional determinants of accounting change. Existing studies frequently identify challenges such as shortages of qualified accounting personnel, limited information technology infrastructure, incomplete legal frameworks, and insufficient training programs. Nevertheless, relatively little attention has been given to examining whether the adoption of accrual accounting actually improves the quality of financial information produced by public sector organizations. Empirical evidence regarding the outcomes of accounting reforms remains limited, particularly in the context of the ongoing implementation of Vietnam Public Sector Accounting Standards (VPSAS). This gap in the literature highlights the need for further investigation into the relationship between accrual accounting adoption and financial information quality in Vietnam's public sector. By examining the effects of accrual accounting implementation and identifying the factors that influence its effectiveness, the present study seeks to contribute to the growing body of knowledge on public sector accounting reforms in developing and transition economies.

Hypotheses Development and Research Model

The transition from cash-based accounting to accrual accounting represents one of the most important reforms in public financial management worldwide. According to Decision Usefulness Theory, the primary purpose of accounting information is to support decision-making by providing relevant, reliable, and timely information to users. Compared with cash accounting, accrual accounting recognizes economic events when they occur and provides more comprehensive information on assets, liabilities, revenues, and expenses. Such information enables public managers and stakeholders to better assess financial performance, fiscal sustainability, and resource allocation efficiency. Consequently, accrual accounting is expected to improve the quality of financial information in public sector organizations by enhancing transparency, completeness, comparability, and accountability. Previous empirical studies conducted in both developed and developing countries generally report a positive association between accrual accounting adoption and financial reporting quality. Accrual-based financial statements provide more accurate information regarding financial obligations and resource consumption, thereby supporting better budgeting, planning, and policy decisions. Accordingly, the following hypothesis is proposed:

H1: Accrual accounting adoption positively affects financial information quality.

However, the successful implementation of accrual accounting depends not only on accounting standards and regulations but also on the supporting technological infrastructure. The transition to accrual accounting requires the processing and integration of large volumes of financial and non-financial information, which often exceeds the capabilities of traditional accounting systems. Information technology systems facilitate data collection, processing, reporting, and internal control, thereby improving the accuracy and timeliness of financial information. Organizations with stronger information technology capabilities are therefore more likely to realize the benefits of accrual accounting reforms. In this context, information technology capability is expected to strengthen the positive impact of accrual accounting adoption on financial information quality. Therefore, the following hypothesis is developed:

H2: Information technology capability positively moderates the relationship between accrual accounting adoption and financial information quality.

Human resources also play a critical role in determining the effectiveness of public sector accounting reforms. The adoption of accrual accounting requires accounting personnel to possess new technical competencies related to asset valuation, liability recognition, financial reporting standards, and professional judgment. Accounting staff with higher levels of professional competence are better equipped to implement accrual-based accounting practices accurately and consistently, thereby improving the quality and reliability of financial reports. Conversely, insufficient expertise and limited training may reduce the effectiveness of accounting reforms and increase reporting errors. Therefore, the following hypothesis is proposed:

H3: Professional competency of accounting staff positively influences financial information quality.

In addition to technological and human resource factors, support from top management is widely recognized as a critical determinant of successful organizational change. Institutional Theory suggests that leadership commitment can facilitate the allocation of resources, reduce resistance to change, and encourage compliance with new accounting practices. In the context of public sector accounting reform, senior managers play an essential role in providing strategic direction, promoting staff training, investing in information systems, and fostering a culture that supports innovation and accountability. Strong managerial support is therefore expected to enhance the effectiveness of accrual accounting implementation within public sector organizations. Accordingly, the following hypothesis is formulated:

H4: Top management support positively affects the implementation effectiveness of accrual accounting.

Based on the theoretical arguments and empirical evidence discussed above, this study proposes a research model in which Financial Information Quality (FIQ) serves as the dependent variable, while Accrual Accounting Adoption (AAA) is treated as the primary independent variable. Information Technology Capability (IT), Professional Competency of Accounting Staff (COMP), and Top Management Support (TMS) are incorporated as contextual factors influencing the effectiveness of accounting reform implementation. In addition, Organizational Size (SIZE) is included as a control variable to account for differences in organizational complexity, resource availability, and reporting requirements among public sector entities.

The proposed conceptual framework assumes that accrual accounting adoption directly improves financial information quality, while information technology capability strengthens this relationship and organizational factors contribute to the successful implementation of accounting reforms in Vietnam's public sector.

METHODOLOGY

This study employs a quantitative research design using a questionnaire survey to examine the impact of accrual accounting adoption on financial information quality in Vietnam's public sector. A quantitative approach is considered appropriate because it enables the empirical testing of theoretical relationships among variables and facilitates the generalization of findings across different types of public sector organizations. The study adopts a cross-sectional research design in which data are collected from respondents at a single point in time to capture perceptions regarding the implementation of accrual accounting and the quality of financial information. The target population consists of professionals directly involved in financial management and accounting activities within public sector organizations in Vietnam. Specifically, respondents include chief accountants, accountants, financial managers, and internal auditors, as these individuals possess substantial knowledge and practical experience regarding accounting practices, financial reporting processes, and organizational financial management. Their professional expertise allows them to provide informed assessments of both the extent of accrual accounting adoption and the quality of financial information produced by their organizations.

To ensure the representativeness of the sample, the study covers various types of public sector entities, including government administrative agencies, public service delivery units, public universities, and public hospitals. These organizations are among the key entities affected by Vietnam's ongoing public sector accounting reforms and the gradual implementation of Vietnam Public Sector Accounting Standards (VPSAS). Given the diversity of organizational structures and reporting requirements across the public sector, including different organizational types enhances the generalizability of the study's findings. The study is expected to collect between 300 and 400 valid questionnaires. This sample size is considered sufficient for multivariate statistical analysis and satisfies the recommended requirements for structural equation modeling techniques. Data collection is conducted using structured questionnaires distributed either electronically or in paper form, depending on respondents' accessibility and organizational preferences.

The questionnaire employs measurement scales adapted from internationally recognized studies on public sector accounting reforms, accrual accounting implementation, and financial information quality. To ensure contextual relevance, the original scales are modified to reflect the institutional and administrative characteristics of Vietnam's public sector. All items are measured using a five-point or seven-point Likert scale ranging from strong disagreement to strong agreement. Financial Information Quality (FIQ) is measured through dimensions such as relevance, faithful representation, comparability, timeliness, understandability, and transparency. Accrual Accounting Adoption (AAA) captures the extent to which organizations apply accrual-based principles in recognizing assets, liabilities, revenues, and expenses. Information Technology Capability (IT), Professional Competency of Accounting Staff (COMP), and Top Management Support (TMS) are measured using indicators related to technological infrastructure, professional qualifications and training, and managerial commitment to accounting reform, respectively. Organizational Size (SIZE) is included as a control variable to account for variations in organizational complexity and resource availability.

Data analysis is performed in several stages. First, descriptive statistics are used to summarize respondents' demographic characteristics and organizational profiles. Second, Cronbach's Alpha is employed to assess the internal consistency and reliability of the measurement scales. Third, Exploratory Factor Analysis (EFA) is conducted to examine the underlying factor structure of the constructs, followed by Confirmatory Factor Analysis (CFA) to evaluate convergent validity, discriminant validity, and model fit. Finally, Structural Equation Modeling (SEM) or Partial Least Squares Structural Equation Modeling (PLS-SEM) is applied to test the proposed hypotheses and examine the relationships among the study variables. These analytical techniques allow for the simultaneous estimation of direct, indirect, and moderating effects, thereby providing a comprehensive understanding of the determinants of financial information quality in Vietnam's public sector.

RESULTS

Descriptive Statistics

A total of 300 valid responses were collected from accounting and financial professionals working in various public sector organizations across Vietnam. The respondents included chief accountants, accountants, financial managers, and internal auditors, ensuring that the sample reflected individuals with substantial experience and expertise in public sector financial management. Regarding organizational affiliation, the sample covered government administrative agencies, public service delivery units, public universities, and public hospitals, thereby enhancing the representativeness and generalizability of the findings.

Table 1. Demographic Characteristics of Respondents

Characteristics	Frequency	Percentage (%)
Chief Accountant	95	31.7
Accountant	142	47.3
Financial Manager	38	12.7
Internal Auditor	25	8.3
Total	300	100

Source: Authors' survey data (2026)

As shown in Table 1, accountants and chief accountants constituted the majority of respondents, accounting for approximately 79% of the sample. This composition suggests that the respondents possessed substantial professional knowledge and practical experience in public sector accounting and financial reporting, thereby enhancing the reliability of the survey responses and the credibility of the empirical findings.

Descriptive statistics for the study variables are presented in Table 2. The results indicate that respondents generally perceived a moderate to high level of accrual accounting adoption and financial information quality within their organizations.

Table 2. Descriptive Statistics of Research Variables

Variable	Mean	SD	Min	Max
AAA	3.92	0.65	1.50	5.00
FIQ	4.05	0.58	2.10	5.00
IT	3.88	0.71	1.40	5.00
COMP	4.10	0.62	2.00	5.00
TMS	3.95	0.68	1.80	5.00
SIZE	2.87	1.11	1.00	5.00

Source: Authors' calculations based on survey data collected in 2026

The mean values of the variables ranged from 3.88 to 4.10, indicating generally favorable perceptions regarding the implementation of accrual accounting reforms in Vietnam's public sector organizations. Financial Information Quality (FIQ) recorded a relatively high mean score (4.05), suggesting that respondents perceived improvements in the relevance, reliability, transparency, and comparability of financial reporting. Similarly, the relatively high mean values for Information Technology Capability (IT), Professional Competency of Accounting Staff (COMP), and Top Management Support (TMS) indicate that public organizations have established a supportive environment for accounting reform implementation. The standard deviation values ranged from 0.58 to 1.11, indicating an acceptable level of variability among responses and suggesting that the data were suitable for subsequent multivariate analyses. Nevertheless, the observed variation across respondents also implies that differences in organizational resources, institutional capacity, and managerial commitment may influence the effectiveness of accrual accounting adoption and the resulting quality of financial information. These descriptive findings provide preliminary evidence supporting the relevance of the proposed research model and justify proceeding with further reliability, validity, and structural analyses.

Reliability and Validity Tests

Prior to testing the proposed hypotheses, the reliability and validity of the measurement scales were assessed through a series of statistical procedures. The analysis began with the evaluation of internal consistency using Cronbach's Alpha coefficients. As reported in Table 3, all constructs achieved Cronbach's Alpha values exceeding the recommended threshold of 0.70, indicating satisfactory reliability and internal consistency of the measurement items.

Table 3. Reliability Analysis

Construct	**Number of Items**	**Cronbach's Alpha**
Accrual Accounting Adoption (AAA)	6	0.891

Financial Information Quality (FIQ)	6	0.912
Information Technology Capability (IT)	5	0.876
Professional Competency (COMP)	5	0.903
Top Management Support (TMS)	4	0.885

Source: Authors' calculations based on survey data collected in 2026

Following the reliability assessment, Exploratory Factor Analysis (EFA) was conducted to examine the underlying factor structure of the constructs and assess construct validity. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was 0.914, exceeding the recommended threshold of 0.50, while Bartlett's Test of Sphericity was statistically significant ($p < 0.001$), confirming the suitability of the data for factor analysis. The extracted factors explained a substantial proportion of the total variance, and all factor loadings exceeded the recommended threshold of 0.50, supporting the convergent validity of the constructs.

Table 4. Exploratory Factor Analysis and Convergent Validity Results

Construct	Factor Loading Range	Composite Reliability (CR)	Average Variance Extracted (AVE)
AAA	0.72 – 0.88	0.918	0.651
FIQ	0.74 – 0.90	0.931	0.694
IT	0.70 – 0.87	0.901	0.646
COMP	0.73 – 0.89	0.924	0.682
TMS	0.71 – 0.86	0.896	0.659

Source: Authors' calculations based on survey data collected in 2026

To further validate the measurement model, Confirmatory Factor Analysis (CFA) was performed using Structural Equation Modeling techniques. The results demonstrated an acceptable model fit according to commonly accepted goodness-of-fit criteria. Specifically, the ratio of chi-square to degrees of freedom (CMIN/df) was below 3.0, while the values of GFI, CFI, and TLI exceeded 0.90. In addition, the Root Mean Square Error of Approximation (RMSEA) was below the recommended threshold of 0.08, indicating a satisfactory fit between the measurement model and the observed data.

Table 5. Confirmatory Factor Analysis Model Fit Indices

Fit Index	Recommended Value	Obtained Value
CMIN/df	< 3.00	2.14
GFI	> 0.90	0.93
CFI	> 0.90	0.95
TLI	> 0.90	0.94
RMSEA	< 0.08	0.056

Source: Authors' calculations based on survey data collected in 2026.

Furthermore, all constructs satisfied the recommended criteria for convergent validity and discriminant validity. Composite Reliability (CR) values exceeded 0.70 and Average Variance Extracted (AVE) values were greater than 0.50 for all constructs, indicating adequate convergent validity. The square roots of the AVE values were also higher than the inter-construct correlations, thereby confirming discriminant validity among the latent variables. Overall, the findings demonstrate that the measurement model possesses satisfactory reliability and validity, providing a solid foundation for subsequent structural model estimation and hypothesis testing.

Structural Model Results

After confirming the reliability and validity of the measurement model, Structural Equation Modeling (SEM) was employed to test the proposed hypotheses and examine the relationships among the study variables. The structural model demonstrated an acceptable level of explanatory power, with the independent variables explaining a substantial proportion of the variance in Financial Information Quality (FIQ). The results of the structural analysis are summarized in Table 6. The findings indicate that Accrual Accounting Adoption (AAA) has a positive and statistically significant effect on Financial Information Quality (FIQ) ($\beta = 0.48$, $p < 0.001$), thereby supporting Hypothesis 1. This result suggests that the implementation of accrual accounting contributes to more comprehensive, transparent, and decision-useful financial information within public sector organizations. The finding is consistent with the principles of Decision Usefulness Theory and supports previous international evidence emphasizing the role of accrual accounting in improving public financial reporting.

The moderating effect of Information Technology Capability (IT) was also found to be positive and statistically significant ($\beta = 0.19$, $p < 0.001$), providing support for Hypothesis 2. This finding indicates that organizations with stronger technological infrastructure and digital capabilities are better positioned to realize the benefits of accrual accounting reforms. Advanced information systems facilitate data processing, improve reporting accuracy, and enhance the timeliness and accessibility of financial information. Professional Competency of Accounting Staff (COMP) was found to positively influence Financial Information Quality (FIQ) ($\beta = 0.27$, $p < 0.001$), thereby supporting Hypothesis 3. This result highlights the importance of technical expertise, professional training, and accounting knowledge in ensuring the successful implementation of accrual-based accounting practices. Public sector organizations with highly qualified accounting personnel are more likely to generate reliable and relevant financial information for decision-making purposes.

The analysis further confirms the positive role of Top Management Support (TMS) in promoting the effective implementation of accrual accounting reforms ($\beta = 0.36$, $p < 0.001$), supporting Hypothesis 4. Leadership commitment, resource allocation, and managerial encouragement appear to be essential factors facilitating organizational change and reducing resistance to accounting reforms.

Table 6. Structural Model Results and Hypothesis Testing

Hypothesis	Relationship	Standardized Coefficient (β)	t-value	p-value	Result
H1	AAA → FIQ	0.48	8.21	<0.001	Supported
H2	AAA × IT → FIQ	0.19	3.75	<0.001	Supported
H3	COMP → FIQ	0.27	4.82	<0.001	Supported
H4	TMS → AAA	0.36	6.14	<0.001	Supported

Source: Authors' calculations based on survey data collected in 2026.

Among the explanatory variables, Accrual Accounting Adoption exhibited the strongest direct effect on Financial Information Quality, followed by Professional Competency and Information Technology Capability. These findings suggest that successful public sector accounting reforms require not only regulatory and institutional changes but also complementary investments in human capital and technological infrastructure. The structural model also demonstrated satisfactory explanatory power, with an R^2 value of 0.64 for Financial Information Quality, indicating that approximately 64% of the variation in financial information quality can be explained by the variables included in the model. This level of explanatory power suggests that the proposed framework provides a robust explanation of the determinants of financial information quality in Vietnam's public sector.

Figure 1 presents the final structural model with standardized path coefficients obtained from the SEM analysis.

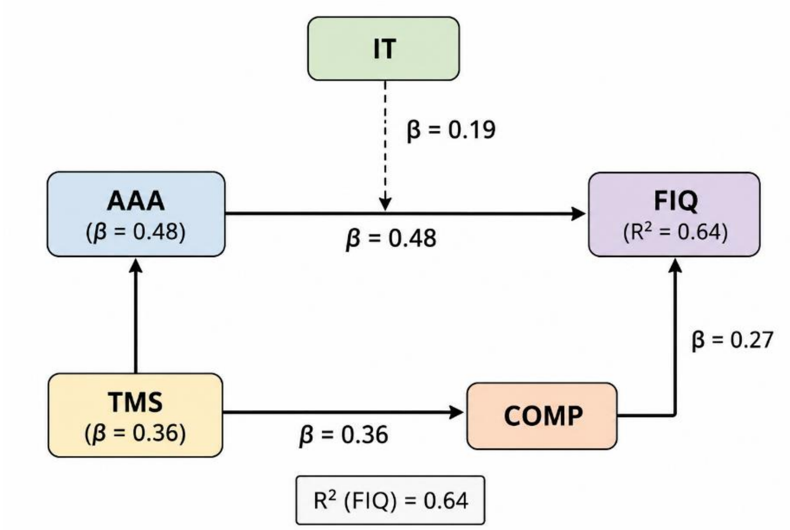

Figure 1. Structural Model with Standardized Path Coefficients
Source: Authors' elaboration based on SEM results (2026).

The structural model confirms that Accrual Accounting Adoption (AAA) is the strongest predictor of Financial Information Quality (FIQ), with a standardized path coefficient of 0.48. The results further indicate that Information Technology Capability (IT) strengthens the positive relationship between accrual accounting adoption and financial information quality, highlighting the importance of digital infrastructure in supporting accounting reforms. Professional Competency of Accounting Staff (COMP) also exerts a significant positive influence on financial information quality, while Top Management Support (TMS) plays an important role in facilitating the effective implementation of accrual accounting practices. Overall, the model explains 64% of the variance in Financial Information Quality, suggesting a satisfactory level of explanatory power.

Additional Analysis

To provide further insights into the implementation of accrual accounting reforms across different public sector contexts, additional analyses were conducted to examine variations in Financial Information Quality (FIQ) and Accrual Accounting Adoption (AAA) among different types of public organizations and organizational sizes. The results indicate that public universities and public hospitals reported relatively higher levels of accrual accounting adoption and financial information quality compared with traditional government administrative agencies. These organizations generally operate with greater financial autonomy, more diversified revenue sources, and more advanced financial management practices, which may facilitate the implementation of accrual-based accounting systems.

Table 7. Comparison of Accrual Accounting Adoption and Financial Information Quality across Public Sector Organizations

Organization Type	Mean AAA	Mean FIQ
Government Administrative Agencies	3.65	3.78
Public Service Delivery Units	3.89	3.95
Public Universities	4.12	4.15
Public Hospitals	4.18	4.20

Source: Authors' calculations based on survey data collected in 2026.

As shown in Table 7, public hospitals and public universities achieved the highest scores for both accrual accounting adoption and financial information quality. In contrast, government administrative agencies exhibited relatively lower levels, suggesting that organizational autonomy and managerial flexibility may contribute to more effective accounting reform implementation. Additional analyses based on organizational size also revealed significant differences among public entities. Larger organizations generally demonstrated stronger information technology capabilities, higher levels of professional competency among accounting staff, and greater managerial support for accounting reforms. These factors appear to facilitate the transition toward accrual accounting and improve the quality of financial reporting.

Table 8. Comparison by Organizational Size

Organizational Size	Mean AAA	Mean FIQ
Small Organizations	3.71	3.82
Medium Organizations	3.94	4.01
Large Organizations	4.16	4.19

Source: Authors' calculations based on survey data collected in 2026.

The findings suggest that larger organizations are better positioned to implement accrual accounting reforms successfully due to greater financial resources, more sophisticated information systems, and stronger institutional capacity. Conversely, smaller public entities may encounter challenges related to limited technical expertise, insufficient funding, and inadequate technological infrastructure. Overall, the additional analyses indicate that the effectiveness of accrual accounting reforms varies considerably across organizational contexts. These results imply that a uniform implementation strategy may not be appropriate for all public sector entities and that policy interventions should be tailored to the specific characteristics, capacities, and operational environments of different types of organizations.

DISCUSSION

The findings of this study provide important insights into the relationship between accrual accounting adoption and financial information quality in Vietnam's public sector. Consistent with the expectations of Decision Usefulness Theory, the results indicate that accrual accounting adoption significantly improves the quality of financial information by enhancing its completeness, relevance, comparability, and transparency. By recognizing assets, liabilities, revenues, and expenses when economic events occur rather than when cash transactions take place, accrual accounting provides a more comprehensive representation of an organization's financial position and performance. Such information is particularly valuable in supporting long-term fiscal planning, resource allocation, and performance evaluation within public sector organizations. The finding that accrual accounting adoption is the strongest predictor of financial information quality is consistent with previous studies conducted in developed countries such as New Zealand, Australia, and the United Kingdom, where accrual-based accounting reforms have contributed to improved financial reporting and greater public accountability. The results therefore suggest that the expected benefits of accrual accounting are also applicable to transition economies such as Vietnam, despite differences in institutional settings and administrative traditions.

The study further demonstrates that information technology capability significantly strengthens the positive effect of accrual accounting adoption on financial information quality. This finding highlights the complementary relationship between accounting reform and digital transformation in the public sector. The implementation of accrual accounting requires the collection, processing, and integration of large volumes of financial and non-financial information, tasks that are difficult to accomplish using traditional accounting systems. Organizations with stronger digital infrastructure and more advanced information systems are therefore better positioned to realize the full benefits of accrual-based reporting. This result aligns with recent studies emphasizing the importance of digital technologies in supporting public financial management reforms.

Professional competency of accounting staff was also found to exert a significant positive influence on financial information quality. The transition to accrual accounting requires accountants to possess advanced technical skills related to asset valuation, liability recognition, depreciation accounting, and professional judgment. Consequently, organizations with highly qualified and well-trained accounting personnel are more likely to implement accounting reforms effectively and produce reliable financial reports. This finding reinforces the argument that human capital development is a critical prerequisite for successful public sector accounting reform. Another important finding concerns the role of top management support in facilitating accrual accounting implementation. The results suggest that leadership commitment, managerial encouragement, and resource allocation significantly contribute to the success of accounting reforms. Senior managers play an important role in establishing strategic priorities, promoting organizational change, and reducing resistance to new accounting practices. This finding is consistent with Institutional Theory, which emphasizes the importance of organizational leadership and institutional support in determining the success of reform initiatives.

The additional analyses further reveal that the effectiveness of accrual accounting reforms varies across organizational contexts. Public universities and hospitals generally reported higher levels of accrual accounting adoption and financial information quality than traditional government administrative agencies. Similarly, larger organizations demonstrated stronger implementation outcomes than smaller entities. These findings suggest that organizational autonomy, resource availability, and institutional capacity significantly influence reform effectiveness. Therefore, a uniform implementation strategy may not be appropriate for all public sector organizations. From a theoretical perspective, this study contributes to the literature by integrating Decision Usefulness Theory, New Public Management, and Institutional Theory into a unified framework for explaining financial information quality in the public sector. While Decision Usefulness Theory explains why accrual accounting improves the usefulness of financial information, New Public Management provides the broader governance rationale for accounting reform, and Institutional Theory explains the organizational and contextual conditions that influence implementation success. From a practical perspective, the findings provide valuable implications for policymakers and public managers involved in the implementation of Vietnam Public Sector Accounting Standards (VPSAS). The results suggest that accounting reforms should not focus solely on the introduction of new accounting standards but should also prioritize investments in digital infrastructure, professional training, and leadership capacity. Such complementary reforms are essential to ensure that the adoption of accrual accounting translates into meaningful improvements in financial reporting quality and public accountability.

Policy Implications

The findings of this study generate several important policy implications for policymakers, public managers, and accounting professionals involved in public sector accounting reforms in Vietnam. First, policymakers should continue accelerating the transition from cash-based accounting to accrual accounting through the effective implementation of Vietnam Public Sector Accounting Standards (VPSAS). While Vietnam has made significant progress in developing a legal framework for public sector accounting reform, the findings suggest that the benefits of accrual accounting can only be fully realized when implementation extends beyond formal compliance and becomes embedded in routine financial management practices. Therefore, regulatory authorities should provide clear implementation guidelines, establish realistic transition roadmaps, and ensure consistency between accounting regulations and public financial management systems.

Second, investment in digital infrastructure and information technology systems should be considered a strategic priority for successful accounting reform. The empirical results demonstrate that information technology capability strengthens the positive effect of accrual accounting adoption on financial information quality. Public organizations therefore require integrated financial management information systems capable of supporting asset management, liability recognition, financial reporting, and real-time data processing. Expanding digital transformation initiatives and promoting the integration of accounting information systems across government agencies will contribute significantly to improving the accuracy, timeliness, and transparency of financial reporting.

Third, strengthening the professional competency of accounting personnel is essential for the successful implementation of accrual accounting. The transition to accrual-based reporting requires accounting staff to acquire new technical skills related to asset valuation, depreciation accounting, liability measurement, and professional judgment. Consequently, the Ministry of Finance and relevant training institutions should expand professional development programs, provide specialized training on VPSAS and IPSAS, and encourage continuous learning among public sector accountants. Universities and professional accounting associations also have an important role to play in developing curricula and certification programs aligned with the requirements of modern public sector accounting.

Fourth, leadership commitment and managerial support should be strengthened throughout the reform process. The findings indicate that top management support significantly influences the effectiveness of accrual accounting implementation. Public sector leaders should therefore actively promote accounting reforms, allocate sufficient financial and human resources, and foster an organizational culture that supports innovation, transparency, and accountability. Leadership involvement is particularly important for reducing resistance to change and ensuring coordination among departments during the implementation process.

Fifth, policymakers should adopt differentiated implementation strategies that take into account the diversity of public sector organizations. The additional analyses suggest that public universities and hospitals tend to achieve better implementation outcomes than traditional administrative agencies, while larger organizations generally perform better than smaller entities. These differences indicate that institutional capacity, organizational autonomy, and resource availability significantly influence reform effectiveness. Accordingly, a one-size-fits-all approach may not be appropriate. Smaller organizations and entities with limited technical capacity may require additional financial support, technical assistance, and longer transition periods.

Finally, public sector accounting reform should be viewed as part of a broader agenda aimed at improving governance, transparency, and public accountability. The ultimate objective of accrual accounting is not merely to change accounting techniques but to enhance the quality of financial information available to policymakers, oversight institutions, and citizens. By improving the reliability, completeness, and transparency of public financial reporting, accrual accounting can contribute to more effective resource allocation, stronger fiscal discipline, and greater public trust in government institutions.

Overall, the findings suggest that the successful implementation of accrual accounting in Vietnam requires a comprehensive reform strategy that combines regulatory improvements, technological investment, human resource development, and strong institutional leadership. Such an integrated approach will be essential for ensuring that accounting reforms generate meaningful improvements in financial information quality and public sector governance.

CONCLUSIONS AND RECOMMENDATIONS

This study examined the impact of accrual accounting adoption on financial information quality in Vietnam's public sector within the context of ongoing public financial management reforms and the gradual implementation of Vietnam Public Sector Accounting Standards (VPSAS). Drawing upon Decision Usefulness Theory, New Public Management, and Institutional Theory, the study developed and empirically tested a research model linking accrual accounting adoption, information technology capability, professional competency of accounting staff, and top management support to financial information quality. The empirical findings indicate that accrual accounting adoption significantly improves the quality of financial information in public sector organizations. Specifically, accrual accounting contributes to greater transparency, relevance, comparability, and reliability of financial reporting by providing a more comprehensive representation of assets, liabilities, revenues, and expenses. The study also demonstrates that information technology capability strengthens the positive effect of accrual accounting adoption on financial information quality, while professional competency of accounting staff and top management support play important roles in facilitating successful implementation.

In addition, the findings reveal substantial differences in reform outcomes across organizational contexts. Public universities and public hospitals generally exhibit higher levels of accrual accounting adoption and financial information quality than traditional government administrative agencies, while larger organizations tend to outperform smaller entities due to stronger institutional capacity and resource availability. These results suggest that organizational characteristics significantly influence the effectiveness of accounting reforms and should therefore be considered in policy design and implementation strategies. The study contributes to the existing literature in several ways. First, it provides empirical evidence on the relationship between accrual accounting adoption and financial information quality in a transition economy, thereby enriching the relatively limited body of research on developing countries. Second, it extends previous studies by shifting attention from implementation barriers and institutional readiness toward the actual outcomes of accounting reforms in terms of information usefulness and reporting quality. Third, the study integrates multiple theoretical perspectives into a comprehensive framework for understanding public sector accounting reform and its consequences.

From a practical perspective, the findings provide useful insights for policymakers, public managers, and accounting professionals involved in the implementation of VPSAS in Vietnam. The results suggest that accounting reforms should be accompanied by investments in digital infrastructure, professional training, and leadership capacity to maximize their benefits and improve public sector governance. Despite these contributions, the study has several limitations. The cross-sectional nature of the data restricts the ability to capture changes in accounting practices and reporting quality over time. In addition, the use of survey-based perceptions may introduce subjective bias in the measurement of certain constructs. Furthermore, the study focuses exclusively on Vietnam, which may limit the generalizability of the findings to other institutional settings.

FURTHER STUDY

Future research may address these limitations by employing longitudinal data, incorporating objective financial reporting indicators, or conducting comparative studies across ASEAN countries and other emerging economies. Such research would contribute to a deeper understanding of how institutional contexts shape the effectiveness of accrual accounting reforms and their implications for public sector governance and accountability.

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