



Public Sector Accounting: A Key to Achieving the Sustainable Development Goals (SDGs)

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ARTICLE INFO

Keywords: Public Sector Accounting, Government Finance, Sustainable Development Goals, Accountability, Accrual Based Accounting

Received : 15, October

Revised : 29, October

Accepted: 26, November

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ABSTRACT

This study aims to explore the role of public sector accounting in supporting the achievement of the Sustainable Development Goals (SDGs) in Indonesia. Public sector accounting plays a key role in ensuring transparency, accountability, and efficiency in the sustainable management of government finances. This study employs a qualitative method with a literature review approach, examining various research and reports related to the implementation of accrual-based accounting, the Balanced Scorecard (BSC), and sustainable finance. The findings indicate that the implementation of accrual-based Government Accounting Standards (SAP) has improved the quality of local government financial reports, positively impacting public financial governance. Additionally, the use of BSC in performance-based budgeting is deemed capable of supporting the achievement of the SDGs pillars, particularly in the education, health, and economic sectors.

INTRODUCTION

Public sector accounting plays a vital role in national development, especially in the context of Indonesia which is committed to achieving the Sustainable Development Goals (SDGs). SDGs are a global agenda initiated by the United Nations (UN) with the main goal of ending poverty, protecting the earth, and ensuring shared prosperity by 2030 (Trimulato et al., 2021). Indonesia, as a developing country that is currently in a phase of economic growth and development, has committed to realizing the SDGs through various national policies, one of which is by strengthening the public sector accounting system (Fatwa, 2022). This system is expected to be able to increase transparency, accountability, and efficiency in managing state finances, so that it can support the achievement of SDGs targets.

The importance of public sector accounting is becoming increasingly prominent amidst the challenges faced by the Indonesian government in its efforts to realize sustainable development. Indonesia is faced with various structural problems such as corruption, complex bureaucracy, and limited human and financial resources. The phenomenon of corruption, for example, is one of the biggest obstacles in the government's efforts to achieve the SDGs targets. Many cases of public budget misappropriation occur due to weak financial monitoring and reporting systems (Yendrawati, 2013). In this context, public sector accounting is the key to improving state financial governance by strengthening transparent and accountable audit and reporting systems. This will not only increase efficiency in the use of public funds, but also reduce the potential for budget misappropriation that can hinder development.

Government Regulation Number 71 of 2010 concerning Government Accounting Standards (SAP) is an important foundation in strengthening public sector accounting in Indonesia. The PP regulates the accounting principles that must be applied by the central and regional governments, with the aim of creating reliable and comparable financial reports (Abdurrahim et al., 2019). This standard is expected to help the government manage the budget more effectively, both in terms of planning, implementing, and evaluating the budget. In addition, SAP also encourages the government to apply accrual-based accounting principles, which allows for more comprehensive reporting on state liabilities and assets (Afrarudin & Kurniati, 2016).

However, the implementation of this policy is not without challenges. The complexity of bureaucracy in Indonesia often hinders the implementation of good public sector accounting policies. The many administrative procedures that must be followed cause the financial management process to be slow and inefficient (Maulana, 2022). In addition, the limited human resources who are competent in the field of public sector accounting are also a significant obstacle. The lack of training and education related to government accounting means that many state civil servants do not yet have adequate skills to optimally apply accrual-based accounting standards (Subhi & Yuhertiana, 2021). As a result, many local governments still have difficulty in preparing financial reports in accordance with SAP.

To overcome these challenges, the Indonesian government needs to take various strategic steps, such as strengthening training for state apparatus in accounting, improving coordination between institutions, and carrying out more comprehensive bureaucratic reform. Relevant case studies in Indonesia show that several local governments that have successfully implemented performance-based accounting have been able to improve efficiency and transparency in their budget management, for example the Banyuwangi Regency government which has successfully integrated accrual-based performance and financial reporting in its regional budget management, which has an impact on increasing accountability and efficiency of regional spending (Karunia & Sapari, 2018).

In addition to the local government level, state-owned enterprises (SOEs) also have an important role in achieving the SDGs through sustainable financial reporting. Many SOEs in Indonesia, such as PT Pertamina and PT PLN, have begun to integrate sustainability principles into their financial reporting (Alfikri, 2019). This reporting not only covers financial performance, but also the social and environmental impacts of the company's operations. By implementing sustainable financial reporting, SOEs can contribute more to achieving the SDGs, especially in terms of promoting clean energy, inclusive industrialization, and sustainable natural resource management. Thus, public sector accounting has a strategic role in supporting the achievement of the SDGs in Indonesia.

LITERATURE REVIEW

Research on public sector accounting in Indonesia, particularly related to the achievement of Sustainable Development Goals (SDGs), has attracted the attention of many academics in recent years. These studies explore how public sector accounting can improve transparency, accountability, and efficiency of government financial management in supporting sustainable development goals. The following are previous studies that are relevant to the topic discussed.

The first study was conducted by Jati (2019) with the title *The Effect of Implementing Accrual-Based Government Accounting Standards on the Quality of Regional Government Financial Reports*. This study aims to obtain empirical evidence on the effect of implementing accrual-based Government Accounting Standards (SAP) on the quality of regional government financial reports (LKPD) in Indonesia. The analysis method used is simple linear regression analysis and related sample mean difference test. The results of the study indicate an increase in the quality of LKPD after the implementation of Accrual-Based SAP. This is evidenced by the significant beta of the implementation of Accrual-Based SAP and the increase in the average BPK Opinion as a proxy for the quality of LKPD after the implementation of Accrual-Based SAP.

The second study was conducted by Febrianti et al., (2020) with the title *Balanced Scorecard as the Basis for Preparing Performance-Based Budgets to Achieve the SDGs Pillars*. This study aims to evaluate the use of the Balanced

Scorecard (BSC) as the basis for performance-based budgeting in the Indonesian Government in supporting the achievement of the pillars of the Sustainable Development Goals (SDGs). The data analysis method used is a qualitative method by conducting a descriptive analysis of the application of BSC in preparing performance-based budgets. The results of the study indicate that the implementation of the BSC method as the basis for preparing performance-based budgets in the Indonesian Government is considered capable of supporting the achievement of the social and economic pillars in the SDGs. The achievement of these SDGs pillars is based on the performance projections of the Indonesian Government in the education, health, and economic sectors.

The third study was conducted by Hayati & Yulianto (2020) with the title *The role of sustainable finance in the banking industry in supporting sustainable development goals: The role of sustainable finance in the banking industry in supporting sustainable development goals*. This study aims to evaluate the role of sustainable finance in the Indonesian banking industry initiated by the Financial Services Authority (OJK) and the World Wildlife Fund (WWF), with a focus on harmonious economic growth between economic, environmental, and social aspects. This initiative supports sustainable economic development and contributes to the achievement of the Sustainable Development Goals (SDGs). The research method used is descriptive qualitative with data collection techniques through online data searches. The results of the study show that banks in Indonesia, based on the sustainable finance roadmap prepared by OJK, have committed to the Sustainable Finance Action Plan (RAKB). These banks provide credit to debtors who have certification in accordance with the principles of Environment, Social, and Governance (ESG), as well as AMDAL permits for the green construction, agriculture, green infrastructure, forestry, renewable energy, recycling, and energy efficiency sectors.

Overall, the three studies above underline that the application of appropriate principles and standards in accounting, budgeting, and sustainable finance not only improves the quality of reporting and planning, but also contributes significantly to the achievement of the SDGs. Effective implementation of SAP, BSC, and sustainable finance principles shows that the success of sustainable development requires integrated commitment and practices across sectors.

To better understand the application of public sector accounting in supporting the SDGs, there are two very relevant theories, namely the Balanced Scorecard (BSC) and the theory of sustainable finance. The Balanced Scorecard (BSC) is a managerial theory developed by Kaplan and Norton (Izzudin et al., 2023). This theory offers an integrated approach to measuring organizational performance by focusing not only on financial aspects but also on customer perspectives, internal processes, and learning and growth (Usman et al., 2022). In the context of performance-based budgeting in the Indonesian government, the BSC helps in linking long-term strategies with specific performance indicators that support the achievement of the SDGs. By implementing the BSC, the government can prepare and manage a budget that is not only financially

efficient but also focuses on achieving broader social and economic goals. The application of the BSC in budget preparation allows the government to measure and evaluate performance from various aspects, such as the education, health, and economic sectors, which are important pillars in achieving the SDGs (Febrianti et al., 2020).

On the other hand, sustainable finance theory focuses on the integration of economic, environmental, and social aspects in financial practices. This theory was pioneered by the Financial Services Authority (OJK) and the World Wildlife Fund (WWF), where this theory underlines the importance of Environmental, Social, and Governance (ESG) principles, as well as compliance with AMDAL permits in the financial sector (Haerunnisa et al., 2023). In the context of banking in Indonesia, this theory shows how banks can commit to the Sustainable Finance Action Plan (RAKB) to support harmonious and sustainable development. The application of these principles not only influences credit and investment decisions but also contributes to the achievement of the SDGs by ensuring that financial practices support environmental and social sustainability (Hayati & Yulianto, 2020). Banks that follow sustainable finance principles can help encourage responsible and sustainable investment, as well as ensure that the projects they finance contribute positively to sustainable development goals.

The integration of these two theories in public financial management in Indonesia provides a comprehensive framework to improve transparency, accountability, and efficiency. The Balanced Scorecard helps in planning and measuring performance from various perspectives, while the theory of sustainable finance ensures that financial practices are in line with sustainability principles (Hadiansah et al., 2021). By applying these two theories together, the government can develop more effective strategies to achieve the SDGs, while ensuring that financial policies and practices support sustainable development. This combination offers a holistic approach needed to address development challenges in developing countries like Indonesia and ensure that efforts to achieve the SDGs are carried out in a sustainable and integrated manner.

METHODOLOGY

This study uses a qualitative method with a literature study approach to explore relevant issues in public sector accounting, as well as its role in achieving the Sustainable Development Goals (SDGs). Literature study is a research method that focuses on collecting, analyzing, and synthesizing various relevant scientific literature sources to gain a comprehensive understanding of the topic being studied. This approach was chosen because it allows researchers to understand the conceptual dynamics related to the application of public sector accounting in supporting sustainable development without involving primary data collection.

The research process begins by determining the topic and focus of the study, namely public sector accounting in the context of SDGs in Indonesia. Once the topic is determined, the next step is to identify and collect relevant literature. The literature sources used include scientific journals, academic

books, government reports, and previous research results that discuss themes related to public sector accounting, financial transparency, budget management, and implementation of SDGs in Indonesia. The selected literature must meet certain criteria, namely the latest publication, relevance to the topic, and have high academic validity. The literature search process is carried out through online platforms, such as Google Scholar, Scopus, and journal portals.

The population in this study is all available literature that is relevant to the topic of public sector accounting and SDGs. Meanwhile, the samples taken for analysis are scientific articles, books, and research reports that meet the inclusion criteria that have been set. The sample selection technique is carried out purposively, namely by selecting literature that is considered the most relevant and of high quality to provide an in-depth understanding of the topic discussed. Meanwhile, the analysis process is carried out manually using content analysis techniques. Through this technique, researchers examine keywords, concepts, and arguments that are repeated in various literatures to produce a comprehensive synthesis of the relationship between public sector accounting and the achievement of SDGs.

RESEARCH RESULT

This study found that public sector accounting has a crucial role in supporting the achievement of Sustainable Development Goals (SDGs) in Indonesia. Based on the literature review conducted, there are several key findings that underline the importance of implementing transparent, accountable, and efficient accounting principles in public financial management to achieve sustainable development. The implementation of accrual-based Government Accounting Standards (SAP) is one of the important innovations in improving the quality of local government financial reports (LKPD), which in turn has an impact on increasing accountability and transparency in the public sector. This finding is in line with Jati's research (2019) which shows that the implementation of accrual-based SAP contributes significantly to improving the opinion of the Audit Board (BPK) regarding the quality of LKPD. A better BPK opinion reflects better financial governance, which ultimately supports the management of public resources in a more responsible and sustainable manner.

In addition to the implementation of accrual-based SAP, balanced scorecard (BSC) also plays an important role in the preparation of performance-based budgets, which aim to support the achievement of the SDGs pillars, especially in the social and economic sectors. Febrianti et al., (2020) highlighted that the implementation of BSC as a basis for preparing performance-based budgets in the Indonesian Government has been proven to support the achievement of SDGs targets in education, health, and the economy. This approach ensures that government budget allocations are based on real performance, not just routine budget expenditures. Furthermore, Susanto & Sirnawati (2023) also found that the financial sector, especially banking, plays an active role in supporting the SDGs through the implementation of sustainable finance. Hayati & Yulianto's (2020) study revealed that banking in Indonesia, through the sustainable finance roadmap prepared by the Financial

Services Authority (OJK), has shown a high commitment to the Sustainable Finance Action Plan (RAKB). Banks in Indonesia have begun to provide credit to projects that focus on Environmental, Social, and Governance (ESG) principles, such as green construction, renewable energy, and recycling. This step not only contributes to sustainable economic growth, but also supports environmental management and reduction of negative social impacts in accordance with the principles of SDGs. Sustainable finance plays an important role in ensuring that economic growth in Indonesia does not sacrifice environmental sustainability and social welfare.

From the three main findings, it shows that achieving the SDGs requires synergy between various sectors and mutually supportive policy instruments. The application of accrual-based accounting, performance-based budgeting through the BSC, and sustainable finance initiatives in the banking sector show that achieving the SDGs goals requires a holistic and integrated approach. This is also in line with the theory of sustainable development which emphasizes the need for a balance between the three main pillars, namely economic, social, and environmental, to achieve sustainable development (Brundtland, 1987). Indonesia, as a developing country, must consider a policy framework that not only focuses on economic growth, but also on the sustainability of natural resources and the social welfare of the community. The implication of this finding is that the Indonesian government needs to continue to improve the quality of public sector financial management by adopting more modern standards and principles that are relevant to current development needs. In addition, the financial sector, especially banking, is required to increasingly integrate ESG principles into its operations in order to support the SDGs agenda more broadly. The success of implementing this policy is highly dependent on the commitment of all parties, from the central government, local governments, the private sector, to civil society, in creating a framework that supports sustainable development.

DISCUSSION

The results of this study highlight the importance of implementing public sector accounting principles in supporting the achievement of Sustainable Development Goals (SDGs) in Indonesia. The main findings of this study underline that the implementation of accrual-based Government Accounting Standards (SAP) has contributed significantly to improving the quality of local government financial reports (LKPD). This improvement directly increases the transparency and accountability of local governments in managing public resources. Better accountability creates higher public trust, which is essential to support community participation in the sustainable development agenda. In this case, the implementation of accrual-based SAP has become a solid foundation for more transparent and accountable public sector financial management.

However, the challenges in implementing accrual-based SAP cannot be ignored. Some regions still experience technical obstacles, such as the lack of human resource capacity that fully understands the implementation of this

standard. Even so, this study shows that the Indonesian government continues to strive to improve the quality of financial reports through more intensive training and coaching. In addition, the balanced scorecard (BSC) as a performance-based budgeting tool offers a more effective solution in allocating public resources more strategically. This approach does not only focus on spending, but also on government performance achievements that are relevant to the pillars of the SDGs, such as education, health, and the economy. In addition to the aspect of public financial management, this study also shows that the banking sector plays an important role in supporting the SDGs through the implementation of sustainable finance. The initiative driven by the Financial Services Authority (OJK) and the World Wildlife Fund (WWF) provides incentives for banks to provide credit to projects that focus on environmental and social sustainability. This shows that efforts to achieve the SDGs are not only the responsibility of the government, but also require active participation from the private sector.

This discussion shows that synergy between various sectors in public financial and resource management is the key to the success of achieving the SDGs. Transparent and accountable financial management, together with the commitment of the private sector through sustainable finance, will have a significant impact on creating sustainable development in Indonesia. Therefore, a collaborative approach is needed between the government, private sector, and society to accelerate the achievement of the SDGs.

CONCLUSION AND RECOMMENDATION

From the results of the research that has been conducted, it can be concluded that the application of public sector accounting principles, such as accrual-based Government Accounting Standards (SAP), balanced scorecard (BSC), and sustainable finance, provides a significant contribution to the achievement of sustainable development goals or Sustainable Development Goals (SDGs) in Indonesia. The application of accrual-based SAP has been proven to improve the quality of local government financial reports (LKPD), which has an impact on transparency and accountability in public financial management. In addition, the performance-based budgeting approach through BSC facilitates more efficient and relevant resource allocation to the SDGs, especially in the social and economic pillars. Sustainable finance in the banking sector also shows an important role in supporting economic growth that is in line with the principles of environmental and social sustainability.

However, to achieve more optimal results, several recommendations are needed. First, the government needs to improve training and technical assistance to all local governments in implementing accrual-based SAP consistently and appropriately. This is to ensure that all regions are able to adopt this standard properly and improve the quality of their financial reports. Second, the implementation of BSC in performance-based budgeting needs to be continuously developed, with a focus on increasing the government's capacity in planning and evaluating programs that support the SDGs. Finally, the banking sector needs to be more proactive in supporting sustainable projects, by providing stronger incentives for debtors who run businesses that support the

principles of environmental and social sustainability. With these steps, Indonesia is expected to accelerate the achievement of the SDGs in a comprehensive and sustainable manner.

ADVANCED RESEARCH

This research has several limitations that need to be considered. One of the limitations is the approach used, namely qualitative methods with literature studies, which may not fully describe the real conditions in the field. The lack of empirical data directly from respondents or other primary sources may affect the results and conclusions of this study, especially related to the application of public sector accounting principles in supporting the achievement of SDGs. In addition, this study is also limited in scope, where the main focus is only on the implementation of accrual-based SAP, balanced scorecard (BSC), and sustainable finance in the banking sector, without exploring other sectors that can also play a significant role in achieving SDGs. For further research, it is recommended that field studies involving primary data collection be conducted to obtain a more comprehensive picture of the impact of public sector accounting implementation at various levels of government and other sectors. In addition, further research can also consider a quantitative or mixed-method approach to provide more valid results as well as a more in-depth exploration of the role of other private sectors in supporting the achievement of SDGs.

ACKNOWLEDGMENTS

The authors would like to thank all those who have provided meaningful support and contributions in the completion of this research. The author would like to thank my colleagues who provided valuable suggestions and inputs for the preparation of this paper, which greatly helped in refining the concepts and analysis used. The authors would also like to thank the institutions and agencies that have provided financial support, as well as the facilities needed in the implementation of this research. This assistance was very meaningful in supporting every stage of the research, from data collection to final analysis. The authors hope that the results of this study can provide benefits for the development of science and can be a foothold for further research.

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