

Identifying Factors Influencing Compliance of Malaysian Public Sector Accounting Standard (MPSAS): Evidence from Federal Statutory Bodies (FSBS)

Ibrahim Bin Abu Sin¹, Shukriah Binti Sa'ad^{2*}

¹Academy of Sciences, Malaysia

²Faculty of Accountancy, University Technology MARA, Puncak Alam, Selangor, Malaysia

*Corresponding Author

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ABSTRACT

MPSAS compliance is a topic of intense discussion between federal statutory bodies and the federal government. Despite the efforts of the Malaysian Government to encourage Federal Statutory Bodies (FSBs) to adopt MPSAS, it was noted that some FSBs had either not yet adopted the standards or had been delayed in their adoption. This study examines the compliance factor in Malaysian FSBs, specifically MPSAS compliance. Three factors, namely accounting education, technology and infrastructure, and cost-benefit are analysed to understand their impact on MPSAS compliance. A questionnaire survey was used as the research instrument, with 69 individuals representing various FSBs. Correlation analyses and logistic regression were conducted to establish the relationships between the independent variables and compliance with MPSAS. The findings only confirm that cost-benefit plays a significant role in MPSAS compliance among Malaysian FSBs. However, two variables had no statistically significant role in MPSAS compliance. This study could make valuable contributions to the research arena, assist policymakers in refining accounting standards and regulatory oversight, and facilitate improvements in educational approaches and resources to better prepare accounting practitioners for compliance with MPSAS and other relevant standards. The study provides valuable information to FSBs, the Accountant General Department, as well as the National Audit Department in guiding them in forcing compulsory standardization and compliance with the MPSAS. This is important to ensure the reliable and transparent disclosure of the government's financial reporting. Future research suggests assessing how implementing Malaysian public sector accounting standards (MPSAS) affects financial reporting within FSBs.

Keywords: Public Sector Accounting, Compliance, Malaysian Public Sector Accounting Standards (MPSAS), Federal Statutory Bodies.

INTRODUCTION

The Malaysian government is transforming its accounting practices from cash to accrual accounting, a crucial element of fiscal reforms. This transition necessitates new systems and extensive training, as accrual accounting is more complex and requires greater judgment (The Malaysian Institute of Accountants, 2011). Familiarity with complete accrual information is essential for accounting employees to grasp government accounting concepts during implementation. The Ministry of Finance supported the usage of Malaysian Public Sector Accounting Standards (MPSAS) in the financial statements of the federal statutory entities to enhance fiscal management effectiveness and improve the federal and state governments' financial management and accounting (Ramli, 2022). Despite the Ministry of Finance's efforts to encourage Federal Statutory Bodies (FSBs) to adopt the MPSAS, it can be argued that the government's goal of good governance, the reduction of corruption, and the prevention of power abuses is hampered by the fact that not all FSBs have adopted MPSAS (Al-Faryan & Shil, 2023). According to Jabatan Audit Negara (2022), only 46% of agencies complied with MPSAS, with 54% reporting audit errors related to assets and accounting systems. Non-compliance can be

attributed to challenges in recognizing assets and revenues, inadequate expertise, and limited IT resources (Saleh et al., 2021). The need for trustworthy and accurate public sector financial reporting is heightened by projections of a significant economic crisis 2023 (Online, 2022). The crisis will pressure public finances, so the government must show Malaysians that spending decisions are prioritised relatively and not swayed by abuses of power or corruption.

Implementing accounting standards in the public sector is plagued by various obstacles. Key challenges include insufficient human competency, high implementation costs, and difficulties recognizing and valuing assets and liabilities (Mahadi, Noordin, Mail, & Sariman, 2016). Learning from countries like New Zealand, Australia, and the UK, which have successfully implemented accrual accounting, could help address these issues (Mahadi, Noordin, Mail, & Sariman, 2016). Malaysia's financial statements should be analyzed for compliance with federal accounting standards and convergence with IPSAS, promoting transparency and accountability in public funds (Md Yatim N & Norhashim M, 2016). In light of recent corruption scandals involving current and former government officials in Malaysia, addressing these issues is essential for improving the public sector's reliability and accuracy of financial reporting to fight lousy governance, corruption, and abuses of power.

While the development of MPSAS has had significant implications for the functions and responsibilities of public sector entities, more comprehensive studies are needed to assess its effectiveness and the resulting outcomes for statutory bodies. Moreover, the adoption rate of MPSAS among statutory bodies has not reached its full potential, and there does not seem to be any research conducted on the prospective research directions aimed at exploring the factors that influence the level of MPSAS adoption among statutory bodies in Malaysia (Azhar et al., 2022). Hence, it is imperative to undertake this study to gain insights into the factors contributing to the deficiencies in the existing reporting and accounting system. This study will help to understand why the FSBs failed or delayed the application of MPSAS.

In public financial governance, Federal Statutory Bodies (FSBs) in Malaysia assume the critical role of agents executing Malaysian Public Sector Accounting Standards (MPSAS). The principals entrust these bodies with the duty to manage public resources and report financial activities transparently and accurately, as stipulated by the MPSAS. They anticipate that FSBs will comply with MPSAS to ensure that financial statements reflect the actual state of affairs, thus facilitating informed decision-making and reinforcing public confidence in the public sector's financial integrity (Bodenchuk & Sikorska, 2022). Therefore, the FSBs' compliance with MPSAS is not just a legal obligation but a moral one, reflective of their commitment to stewardship and the principles of good governance underpinning the foundation of public sector accountability. The independent variables within the context of agency theory, namely, accounting education, technology and infrastructure, and cost-benefit analysis, are pivotal in mitigating the inherent agency problems between principals and agents.

Accounting education has been observed to profoundly influence an organization's capacity to comply with complex accounting standards in studies conducted in neighboring countries. In a comparative analysis, Wiguna, M., Aswar, K., Hariyani, E., Sumardjo, M., and Nasir, A. (2023) found that the implementation of similar public sector accounting standards in Indonesia was considerably influenced by the level of accounting education among professionals. This is supported by Chong, S., Rahman, A., and Narayan, A. K. (2022), who concluded that organizations that dedicated resources to improving accounting education saw a significant increase in compliance with their national public sector accounting standards. Thus, accounting education is fundamental in equipping agents with the necessary skills and ethical standards to perform their duties effectively. It ensures that the agents understand the principles and practices underpinning MPSAS, which is crucial for accurate and transparent financial reporting. Radionova and Stoyanova (2021) suggest that higher accounting knowledge leads to improved financial decision-making, aligning agents' actions with principals' goals. Furthermore, education instills a culture of accountability and professionalism among the agents, which agrees with the principals' expectations for responsible governance (Yu, 2022).

Technology and infrastructure's rapid emergence and dissemination have transformed various business fields, including accounting. Advancements in technology and infrastructure are instrumental in reducing information asymmetry, which is a central concern in agency relationships. They facilitate timely and efficient access to

financial data, allowing for more transparent and effective monitoring of agents by the principals. Effective IT systems enable the rigorous application of MPSAS, thereby enhancing compliance (Hasan et al., 2022). By improving the flow of information and the reliability of financial reporting, technology acts as a bridge between the knowledge of agents and the oversight capability of principals, potentially reducing the opportunity for mismanagement. Hassan et al. (2022) also suggested that investing in technology and infrastructure can have substantial long-term benefits for accounting standard compliance. In a study by Din and Haron (2023), the author identifies the crucial role that technology plays in the compliance of accounting standards, particularly in the case of decentralized government institutions. Similarly, a study by Sofyani, H., Riyadh, H. A., and Fahlevi, H. (2020) found a significant relationship between technology infrastructure and compliance levels.

Compliance with accounting standards is also profoundly affected by cost-benefit factors, as organisations evaluate the trade-offs between improved financial reporting quality and the resources needed for compliance. Recent literature confirms that the perceived implementation and compliance costs can pose significant challenges for firms. By evaluating the costs of implementing MPSAS against the anticipated benefits, agents are more likely to pursue actions that maximize the net benefits to the principals. As posited by Schmidhuber et al. (2020), when the perceived benefits of compliance with accounting standards outweigh the costs, FSBs are incentivized to adhere to these standards more closely. This consideration can lead to a more judicious allocation of resources and a deliberate effort to meet the compliance requirements, reflecting behaviour that is in harmony with the principals' desire for financial diligence (Borzakov & Korsakova, 2022). Each of these variables contributes to a comprehensive strategy to attenuate the agency dilemma, thus fostering an environment where the goals of the FSBs as agents are more closely aligned with the expectations of their principals.

In Vietnam, a comprehensive adoption of public accounting standards is underway, heavily influenced by information technology use, professional education, implementation expenses, and consulting support (Thi & Thanh, 2023). At the same time, Rahman et al. (2021) examine the impact of technology on accounting standard violations in South-Eastern Europe. They found that the availability of advanced technological infrastructure and the use of electronic financial reporting systems reduced the occurrence of accounting standard violations. This finding emphasizes the potential of technology to enhance transparency and adherence to global accounting standards. Ekpo and Beredugo (2022) explored the relationship between cost implications and the willingness of small and medium-sized enterprises (SMEs) in Nigeria to adopt IFRS. They found that the perceived costs (including staff training, technology upgrades, and new reporting systems) present a significant barrier to IFRS adoption.

MPSAS compliance is the yardstick by which their fidelity is measured (Azhar et al. 2022). In light of these expectations, the FSBs' compliance with MPSAS is not just a legal obligation but a moral one, reflective of their commitment to stewardship and the principles of good governance underpinning the foundation of public sector accountability. The independent variables within the context of agency theory, namely, accounting education, technology and infrastructure, and cost-benefit analysis, are pivotal in mitigating the inherent agency problems between principals and agents. Each variable uniquely aligns the objectives of Federal Statutory Bodies (FSBs) with the expectations of their principals, which, in the public sector, include both the government and the citizenry. The alignment of the agents' actions with the principals' expectations is thus essential for the credibility of public financial management and fostering a transparent governance environment (Payne & Petrenko 2019).

To understand the non-compliance among FSBs of public sector accounting standards in Malaysia, this study aims to identify whether accounting education, technology and infrastructure, and cost-benefit can effectively predict compliance with MPSAS. Analyzing the factors influencing MPSAS compliance sheds light on aspects that are inadequately discussed in the existing body of knowledge. It can provide a fresh perspective on the connections between educational engagement, technological and infrastructure readiness, cost-benefit considerations, and MPSAS compliance outcomes. Additionally, the outcomes of this research may create new avenues for academic inquiry.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

MPSAS Compliance

The Malaysian Treasury is responsible for enforcing and regulating compliance with MPSAS in all FSBs in

Malaysia. FSBs were encouraged to comply with this standard and prepare and present their financial statements following MPSAS (Hasan et al., 2022). MPSAS was created to enhance the quality of financial reporting and provide stakeholders with information beneficial to their interests (Pangaribuan et al., 2023). MPSAS compliance is achieved in Malaysia through adopting the Financial Reporting Standard for the public sector, which outlines the specific requirements for preparing financial statements following MPSAS. If MPSAS requirements are not met, the Federal Statutory Body (FSBs) may be subjected to monetary penalties and a reduction in its level of credibility (Sitnikova & Sitnikova, 2022).

According to Kovalchuk et al. (2023), compliance is adhering to established standards and regulations; in the context of financial statements, compliance means following all relevant accounting standards and rules in preparing and presenting financial statements. The compliance certification refers to verifying that the financial statements have been prepared following the applicable standards and regulations. This certification confirms that the financial statements are an accurate and fair visible representation of the organisation's financial position. To ensure high-quality financial reporting and maintain public trust, public sector organisations must adhere to IPSAS 1 and 2 (Sour, 2014).

IPSAS are the internationally accepted standards for government accounting and have the backing of the International Federation of Accountants (IFAC, 2007). Moreover, strengthened by Sour (2015), IPSAS 1 defines a complete set of financial statements as a comprehensive presentation of an organisation's financial position, performance, changes in financial position, and cash flows, including notes that provide additional information to support the financial statements, which establish these components as the minimum requirements for a complete and reliable presentation of financial information in the public sector. Public entities are required to comply with specific IPSAS standards that are particularly relevant to their operations. Based on the findings from various studies, it can be concluded that compliance with MPSAS is crucial for the quality of financial reporting and the credibility of public sector organizations.

Accounting Education and MPSAS Compliance

The relationship between accounting education and MPSAS compliance has been debated extensively. Prior research highlights the importance of thorough accounting education for effective MPSAS compliance. AlQudah et al. (2020) note that governments aim to implement appropriate regulations, and the public interest theory (Posner, 1974). MPSAS adoption to address information asymmetry and improve transparency. Studies by Christiaens et al. (2010), Tanjeh (2016), Salia and Atuilik (2018), and the World Bank (2010) emphasize that qualified accounting staff are crucial for IPSAS compliance, with a lack of core IPSAS knowledge negatively affecting compliance (Christiaens et al., 2010). Saleh et al. (2021) and Hasan et al. (2022) further identify challenges such as insufficient skilled personnel and IT infrastructure in Malaysia's MPSAS implementation. While some research suggests that education may not be the primary driver of IPSAS compliance (Sellami & Gafsi, 2019), factors such as change management, IT infrastructure, and government commitment play significant roles (ACCA, 2017). Nonetheless, accounting education shapes professional competence and understanding of standards, and empirical studies are necessary to test the hypothesis that education impacts MPSAS compliance. Such studies can provide valuable insights for policy and educational initiatives in Malaysia. The hypothesis was developed as follows:

H1- The log-odds of compliance with MPSAS are significantly influenced by the level of accounting education.

Technology and Infrastructure and MPSAS Compliance

Technology and infrastructure play a crucial role in ensuring compliance with complex regulatory frameworks like MPSAS. Adequate IT infrastructure reduces operational, reputational, legal, and compliance risks, facilitating efficient operations and system interoperability (Sirkemaa, 2022). Emerging technologies like cloud computing, artificial intelligence, and blockchain enhance data management and ensure accurate financial reporting (Jayesh et al., 2022). Advanced IT infrastructure also supports data analysis to meet intricate regulatory requirements. However, technology alone is insufficient; users' digital competencies are vital for maximizing compliance (Chehlarova et al., 2022). Din and Haron (2023) highlight that technology, expert availability, and user training are significant factors in IPSAS adoption, emphasizing the need for investment in IT systems, accounting software, and skilled technicians. Although technology aids accrual accounting, it may not be the primary driver of MPSAS compliance, as internal reporting demands should guide IT design (Jamil et al., 2021). Challenges in Malaysia, including a lack of skilled personnel and IT infrastructure, hinder MPSAS implementation (Hasan et al., 2022). This study aims to test the hypothesis that technology and infrastructure, combined with digital competency, significantly impact MPSAS compliance within Malaysia's FSBs. The second hypothesis was developed as below:

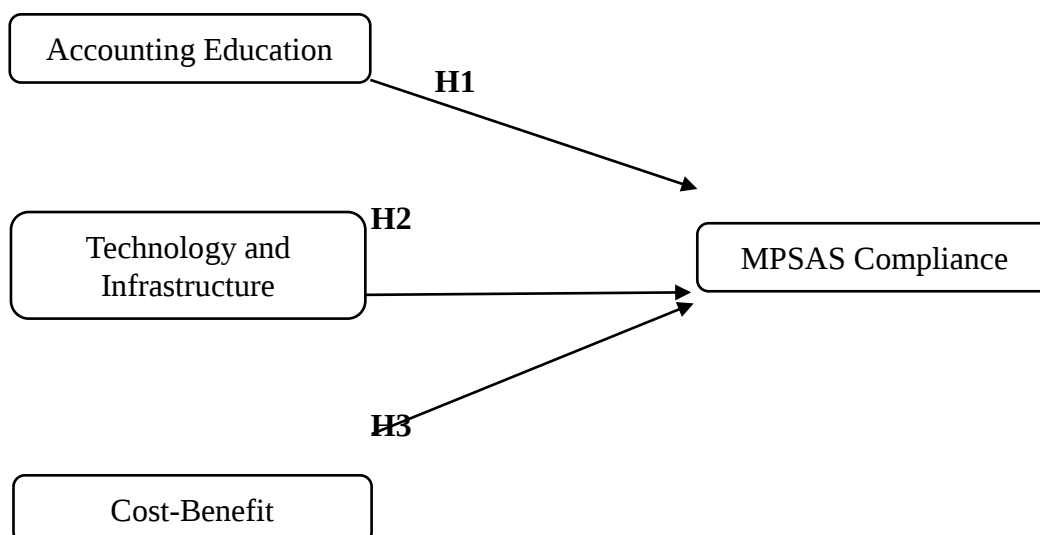
H2- The log-odds of compliance with MPSAS are significantly influenced by the level of technology and infrastructure.

Cost-benefit and MPSAS Compliance

The adoption of IPSAS and MPSAS aims to improve public sector financial management, transparency, and accountability. While the compliance offers benefits such as enhanced financial reporting, informed decision-making, and greater stakeholder accountability, the process involves significant costs, raising concerns about cost-effectiveness (Schmidhuber et al., 2020). These costs, including system upgrades and personnel training, are particularly burdensome for developing countries with limited financial resources (Angahar & Gwar, 2019). Non-compliance costs are higher than compliance, as highlighted by Mahanti et al. (2022), though the financial burden of implementing IPSAS deters many public entities (Javed & Zhuquan, 2018). Challenges include securing adequate funding for accrual-based IPSAS, as seen in Tanzania, where local governments rely on donor support (Schmidhuber et al., 2020). Additionally, Madawa and Frank (2022) found that training costs and economic structures significantly influence IPSAS adoption in Nigeria. Lack of financial resources, outdated systems, and limited staff training are significant barriers to successful implementation (Tanjeh, 2016; Christiaens et al., 2010). Therefore, the current study examines the prediction of the existence of a positive impact on cost-benefit in MPSAS compliance as hypothesised as below:

H3- The log-odds of compliance with MPSAS are significantly influenced by the level of cost-benefit.

Conceptual Framework



RESEARCH METHODOLOGY

According to the Audit General Report by Jabatan Audit Negara (2022), 79 of 147 FSBs are non-compliant agencies in 31 Malaysian government ministries. The sampling technique used for this study is non-probability sampling, in which 79 participants were selected for the study. For the analysis, a questionnaire survey was distributed to individuals representing the statutory bodies across 31 ministries in Malaysia. Seventy-nine surveys were distributed, and only 69 completed questionnaires were received from the respondents. Correlation analyses and logistic regression were conducted to establish the relationships between accounting education, technology and infrastructure, and cost-benefit and their compliance with MPSAS. Ordinal regression is a suitable and practical approach to capture the ordinal characteristics of categorical dependent variables. It enhances the clarity and simplicity of interpretation compared to the multinomial logit model (Chu & Anderson, 1992). This section uses a binary choice, which refers to a question format that allows respondents to select between two options: 'yes' or 'no', to measure the level of MPSAS compliance. The three independent variables were calculated and evaluated following the five-point Likert Scale to measure the findings and outcomes of this study. The questionnaire consists of five sections: demographics (Section A), MPSAS compliance (Section B), Accounting education (Section C), Technology and infrastructure (Section D), and cost-benefit (Section E).

Measurement of Variables

The items for measuring the independent and dependent variables were fully adapted from a previous study. The dependent variable is MPSAS Compliance, while the independent variables are Accounting Education, Technology and Infrastructure and Cost-Benefit.

Table 1: Summarises of the Operationalisation of Variables

Variables	Operationalization	Source
MPSAS Compliance	Twenty-seven instrument items measure the level of understanding and knowledge of MPSAS compliance. This section uses a binary choice, which allows respondents to select between two options: 'YES' or 'NO', to measure the level of MPSAS compliance.	Sour (2014); Sour (2015); Abushamsieh et al. (2014); Pérez and López-Hernández (2009)
Accounting Education	Five instrument items examine the factors that motivate accounting education behaviour in compliance with MPSAS. The respondent's scores on a 5-point Likert scale ranged from "1" (Strongly Disagree) to "5" (Strongly Agree).	Harmisi (2012)
Technology and Infrastructure	Four instrument items examine the factors that motivate technology and infrastructure behaviour in compliance with MPSAS. The respondent's scores on a 5-point Likert scale ranged from "1" (Strongly Disagree) to "5" (Strongly Agree).	Harmisi (2012)
Cost-Benefit	Five instrument items examine the factors that motivate cost-benefit behaviour in compliance with MPSAS. The respondent's scores on a 5-point Likert scale ranged from "1" (Strongly Disagree) to "5" (Strongly Agree).	Harmisi (2012)

The following model was developed to answer the research objectives of the study.

$$\text{Log} \left[\frac{P}{(1-P)} \right] = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$$

Where:

P = Probability that dependent variable = 1

β_0 = Intercept

$\beta_1 - \beta_3$ = Coefficient of the Independent variable

X_1 = Accounting Education (AE)

X_2 = Technology and Infrastructure (TI)

X_3 = Cost-benefit (CB)

RESULTS AND DISCUSSION

The research used several statements to assess the expectations of the four variables of respondents, specifically 27 instrument items of MPSAS compliance, five instrument items of accounting education, four instrument items of technology & infrastructure, and five instrument items of cost-benefit. The reliability or accuracy of these items involved using items to measure individual expectations or dimensions.

Table 2: Reliability test

Variables	Cronbach's Alpha	Number of Items
Accounting education	0.829	5
Technology & Infrastructure	0.880	4
Cost-benefit	0.864	5
Overall	0.858	14

Table 2 above shows Cronbach's alpha for the independent variables, namely accounting education ($\alpha = 0.829$), technology and infrastructure ($\alpha = 0.880$), and cost-benefit ($\alpha = 0.864$), which showed high reliability. The overall alpha value for the scale is 0.858, indicating excellent internal reliability consistency for all 14 scaled items.

The demographic profile for this study was analyzed in Table 3. The demographics featured for this study were gender, age, education level, position, and working experience.

Table 3: The Demographic Characteristics of the Respondents

Demographic	Details	Frequency	Percent
Gender	Male	27	39.1
	Female	42	60.9
Age	21-30 years	7	10.1
	31 – 40 years	36	52.2
	41 – 50 years	25	36.2
	More than 50 years	1	1.5

Education level	Degree	51	73.9
	Master	10	14.5
	Professional Certificate	8	11.6
Working Experience	More than 5 years	18	26.1
	6 – 10 years	26	37.7
	11 – 15 years	13	18.8
	16 – 20 years	11	15.9
	More than 20 years	1	1.5
Current Position	Junior Accountant	23	33.3
	Senior Accountant	39	56.5
	Assistant Bursary	1	1.5
	Others	6	8.7

The study found that female respondents were the highest among 69 respondents, with 42 female respondents compared to 27 male respondents, 60.9% and 39.1% of the total respondents, respectively. The majority of respondents were between 31 and 40 years of age, that is, 36 or 52.2% out of 69 respondents, while the minority was between the ages of 51 and 60, with one respondent or 1.5%. Twenty-five respondents (36.2%) were between 41 and 50 years old, followed by seven respondents (10.1%) who were below 30 years old. The result shows that most of the accountants in FSBs were dominated by those with bachelor's degrees as their highest education level. The majority of the respondents have 6-10 years of working experience, with a total of 26 or 37.7% respondents. This is followed by more than 5 years with 18 respondents or 26.1%, and 11-15 years with 13 respondents or 18.8%. This study discovered that most of the respondents' job position is the position of senior accountants of the FSBs as displayed in Table 3.

Table 4: Descriptive Statistics of MPSAS Compliance

Valid	SOFP	SOFP	SOCA/E	SOCF	NTD	Total
Yes	62	62	62	69	69	94%
No	7	7	7	0	0	6%
Total	69	69	69	69	69	100%

The outcomes of the descriptive analysis for the dependent variable (DV) of this study, MPSAS compliance, are presented in Table 3. The table includes the percentage score for five financial report requests by MPSAS 1 and MPSAS 2. Based on the prior study by Sour (2012), 95% or 62 FSBs were compliant with the five financial report requests by MPSAS 1 and MPSAS 2, and 6% or 7 FSBs were still not fully compliant with the standard's requirements. In view of all five statements, it indicates that respondents are fully compliant with the standard and a few FSBs, such as Bank Negara Malaysia and cooperative banks, including federal agencies, encompass both public and private responsibility. Public interest and business interest will slowly transition to the standard.

Table 4: Correlation Coefficients

		MPSA S	AE	TI	CB
MPSAS	Pearson Correlation	1	.266**	.288**	.369**
	Sig. (2-tailed)		<.001	<.001	<.001

	N	69	69	69	69
AE	Pearson Correlation	.266**	1	.837**	.911**
	Sig. (2-tailed)	<.001		<.001	<.001
	N	69	69	69	69
TI	Pearson Correlation	.288**	.837**	1	.845**
	Sig. (2-tailed)	<.001	<.001		<.001
	N	69	69	69	69
CB	Pearson Correlation	.369**	.911**	.845**	1
	Sig. (2-tailed)	<.001	<.001	<.001	
	N	69	69	69	69
**. Correlation is significant at the 0.01 level (2-tailed).					

Table 4 shows the correlation coefficient results between MPSAS compliance, accounting education, technology and infrastructure, and cost-benefit. The first correlation coefficient was computed to assess the association between accounting education and MPSAS compliance. Cohen (1988, pp. 79–81) suggested a slight positive correlation between the two with $r = 0.266$ and $p = 0.027$. The result indicated a positive relationship between MPSAS compliance and accounting education. The p-value is less than $p=0.027$, indicating that the chance of seeing this strong relationship due to randomness is less than 0.1%, suggesting a reliable relationship.

The correlation coefficient between technology and infrastructure and MPSAS compliance showed a small to medium positive relationship, with $r=.288$ and $p=0.016$. The result indicated that when technology and infrastructure activities increase, the MPSAS compliance awareness among FSBs will also increase.

Lastly, the correlation coefficient between cost-benefit and MPSAS compliance showed a medium positive correlation, with $r=0.369$ and $p=0.02$. This indicates a medium positive correlation according to the standard rule of thumb for interpreting the size of a correlation coefficient, which is that when cost-benefit changes by increasing or decreasing, the likelihood of MPSAS compliance also changes correspondingly. Thus, there is a positive relationship between cost-benefit and MPSAS compliance. The overall results showed that the Pearson's correlation coefficient, r , was between 0.266 and 0.369, with all p-values less than .05. To sum up, the three-factor elements, namely accounting education, technology, and infrastructure, and cost-benefit, play a significant role in MPSAS compliance.

This study adopted the formula of the sample size calculator provided by calculator.net on the website; the sample size suggested a population of 79, a confidence level of 95%, and a margin of error of 5% or 66. The current study collected 69 respondents; thus, a logistic regression analysis was considered sufficient. In addition, the data for this study were normally distributed, as skewness and kurtosis values for all the variables are in the range of -0.169 to 0.178. The purpose of logistic regression is to find the best-fitting and most parsimonious yet biologically reasonable model to describe the relationship between the dichotomous characteristic of interest (dependent variable = response or outcome variable) and a set of independent (predictor or explanatory) variables (IBM, 2020). It measures the relationship in terms of log odds of success.

Table 5: MPSAS Compliance Prediction Model

Classification Table^{a,b}

Observed	MPSASNEW_DECODE	Predicted		Percentage Correct
		0	1	
Step 0	0	0	7	.0
	1	0	62	100.0
Overall Percentage				89.9

a. Constant is included in the model.

b. The cut value is .500

Table 5, also known as a confusion matrix, displays the performance of the logistic regression model in predicting MPSAS compliance. The model's overall accuracy in predicting the compliance status of public sector entities is 89.9%. However, a closer look at the table reveals that the model accurately predicts compliant entities (1) with a 100% success rate but fails to accurately predict any non-compliant entities (0). This indicates that the model's success is heavily skewed toward compliant cases, essentially overlooking potential non-compliant cases.

The cut-value of 0.500 serves as the decision boundary for binary classification. In this case, a predicted probability greater than 0.500 results in a classification of '1' (compliant), and a value equal to or less than 0.500 corresponds to a '0' (non-compliant) classification (Hosmer et al., 2013). Despite the model yielding a high overall accuracy, its inability to identify non-compliant entities raises questions about its reliability in assessing compliance with MPSAS in the public sector. Therefore, further improvements and adjustments to the model might be necessary to better balance its predictive power across both compliant and non-compliant cases.

Table 6: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	35.477a	0.133	0.276

Estimation terminated at iteration number 6 because parameter estimates changed by less than .001. Table 6 shows that a logistic regression model was performed; the 'log-likelihood' essentially explains how likely the logistic regression model is. A smaller value indicates a better fit to the data. In this case, the -2 Log-likelihood is 35.477. The "a" denotes that the estimation stopped at iteration number 6 because the change in parameter estimates was less than 0.001, indicating convergence. Next, Cox & Snell R Square is a pseudo-R-squared value. The Cox & Snell R Square (0.133) attempts to show the variation in the dependent variable explained by the model. However, it is considered biased as it does not reach a maximum value of 1. Nagelkerke R Square is another pseudo-R-squared that adjusts the Cox & Snell R-squared to range from 0 to 1; thus, it is more easily interpreted. This value is .276. This indicates that the independent variables explain approximately 27.6% of the variation in the dependent variable. In summary, the model has a moderate fit to the data, with about 13.3% to 27.6% of the variance in the dependent variable being explained by the independent variables included in the model at this step. The estimation process stopped because the model parameters stabilized, indicating that further iterations would not significantly improve the model.

The logistic regression analysis assessed the impact of accounting education (AE), technology and infrastructure (TI), and cost-benefit (CB) on MPSAS compliance, shown in Table 7. For AE, the coefficient was -1.538 with a standard error of 1.412. The Wald statistic was 1.186 with a significance level of 0.276 ($p > 0.05$), indicating no significant relationship between accounting education and MPSAS compliance, leading to the rejection of hypothesis H1. Similarly, TI had a coefficient of 0.254 and a standard error of 0.909, with a Wald statistic of 0.078 and a significance level of 0.780 ($p > 0.05$). The odds ratio of 1.289 suggests no significant effect of technology and infrastructure on compliance, leading to the rejection of hypothesis H2. Conversely, CB had a coefficient of 2.325, with a standard error of 1.141, and a Wald statistic of 4.152, resulting in a significance level of 0.042 ($p < 0.05$). The odds ratio of 10.227 confirms a significant positive

relationship between cost-benefit and MPSAS compliance. It provides evidence to support the hypothesis regarding the cost-benefit effect on MPSAS compliance among FSBs.

Table 7: Coefficients of Factors of MPSAS Compliance

Model	B	S. E	Wald	Sig.	Exp(B)
1. (Constant)	-0.562	1.628	0.119	0.730	0.570
TAE	-1.538	1.412	1.186	0.276	0.215
TTI	0.254	0.909	0.078	0.780	1.289
TCB	2.325	1.141	4.152	0.042	10.227

The variables (s) entered in step 1 are AE, TI, and CB.

CONCLUSIONS AND RECOMMENDATIONS

The main objectives of this study are to identify whether accounting education, technology, and infrastructure, and cost-benefit can effectively predict compliance with MPSAS. Three factors were chosen: accounting education, technology and infrastructure, and cost-benefit. Agency theory was employed as a relevant perspective to support the view of independent variables in preventing fraudulent activities. With 69 out of 79 distributed questionnaires completed, logistic regression analysis revealed that accounting education (odds ratio = 0.215) and technology and infrastructure (odds ratio = 1.289) did not significantly influence compliance. Conversely, cost-benefit (odds ratio = 10.227) showed a significant positive relationship with compliance. These findings suggest that while accounting education and technology are not substantial determinants, cost-benefit considerations significantly impact compliance, aligning with rational decision-making frameworks (Omimakinde & Adejuwon, 2022). This underscores the need for FSBs to consider practical and economic benefits in compliance strategies rather than relying solely on education or technology (Kudlai & Belozertsev, 2022).

The result of no significant correlation between accounting education and compliance with MPSAS is reinforced by comparable research results. Although there is a need for more extensive study on this subject, investigations exploring the correlation between education and adherence in other accounting scenarios have produced inconclusive findings. A survey conducted by Cheung et al. (2022) revealed that education alone did not consistently predict compliance behaviour in accounting environments, and a study by Sellami and Gafsi (2019) suggested that education level is not a significant factor among countries' decisions to adopt IPSAS.

This finding shows how important it is to think about more than technology and infrastructure when trying to understand and improve FSBs' compliance with MPSAS. It also offers areas for more study and gives valuable advice to businesses that want to enhance their compliance efforts. The organizational culture and procedures inside FSBs play a vital role in determining compliance with MPSAS. Despite modern technology and infrastructure, adherence to accounting standards and compliance can still be compromised inside an FSB if its culture does not emphasize these standards or if there are slack practices (Teichmann & Wittmann, 2022). More than merely the presence of technology and infrastructure is needed to ensure that these instruments are efficiently employed to assure adherence. Hence, corporate culture and practices might mitigate or decrease the impact of these elements. Therefore, efficient allocation and usage of resources are crucial for compliance, alongside the availability of technology and infrastructure.

The results highlight the complex nature of compliance and suggest areas for further research and policy development. The study recommends further research on the impact of MPSAS on financial reporting within FSBs and state agencies and exploring strategies for effective IPSAS implementation in Malaysian public sector financial management. The recommendations also call for enlarging future studies to larger, more representative samples and mixed-method designs involving qualitative data to investigate the cultural and organizational obstacles to MPSAS compliance.

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