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DIGITAL TRANSFORMATION READINESS, SERVICE COST ACCOUNTING AND ISLAMIC PUBLIC SECTOR ACCOUNTABILITY: A CONCEPTUAL FRAMEWORK FOR DEVELOPING COUNTRIES

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ABSTRACT

Public sector organisations in developing countries are under pressure to improve financial transparency, service efficiency, and accountability in the use of public resources. These concerns are also relevant to Islamic public governance, where accountability is connected to amanah, maslahah, hisbah, adl, and the responsible stewardship of resources entrusted to public officials. Many public sector organisations still face difficulties in implementing service cost accounting because of fragmented information systems, limited digital competency, weak integration between financial and operational data, and resistance to organisational change. This conceptual paper examines how digital transformation readiness can support service cost accounting implementation and strengthen Islamic public sector accountability. The paper adopts an evidence-informed conceptual review by synthesising scholarly articles on public sector accounting, digital transformation readiness, digital accounting systems, collaborative governance, Islamic public administration, and Islamic accountability. The proposed framework suggests that five dimensions of digital transformation readiness, namely digital infrastructure readiness, employee digital competency, integrated information systems, organisational adaptability, and leadership support, can enhance service cost accounting implementation effectiveness. Collaborative governance is positioned as a supporting condition that can strengthen the relationship between digital readiness and implementation effectiveness. Seven propositions are developed to guide future empirical research. The framework suggests that effective service cost accounting can improve information accuracy, operational coordination, financial transparency, public decision-making, and Islamic accountability for public resource use. This paper contributes by integrating digital transformation readiness, service cost accounting, and Islamic public sector accountability within a developing-country context. It also offers practical guidance for policymakers and public sector managers seeking to modernise accounting systems while upholding ethical governance and public interest.

Keywords: Digital transformation readiness, service cost accounting, Islamic public sector accountability, public sector accounting, collaborative governance.

ABSTRAK

Organisasi sektor awam di negara membangun berhadapan dengan tekanan untuk meningkatkan ketelusan kewangan, kecekapan penyampaian perkhidmatan, dan akauntabiliti dalam penggunaan sumber awam. Keperluan ini turut relevan dalam tadbir urus awam Islam, yang mengaitkan akauntabiliti dengan prinsip amanah, maslahah, hisbah, adl (keadilan), dan tanggungjawab mengurus sumber yang diamanahkan kepada penjawat awam. Walau bagaimanapun, banyak organisasi sektor awam masih menghadapi kesukaran dalam melaksanakan perakaunan kos perkhidmatan disebabkan oleh sistem maklumat yang berpecah-belah, tahap kompetensi digital yang terhad, integrasi yang lemah antara data kewangan dan operasi, serta penentangan terhadap perubahan organisasi. Makalah konseptual ini bertujuan untuk mengkaji bagaimana kesediaan transformasi digital dapat menyokong pelaksanaan perakaunan kos perkhidmatan dan memperkukuh akauntabiliti sektor awam Islam. Makalah ini menggunakan pendekatan tinjauan konseptual berasaskan bukti melalui sintesis literatur yang merangkumi perakaunan sektor awam, kesediaan transformasi digital, sistem perakaunan digital, tadbir urus kolaboratif, pentadbiran awam Islam, dan akauntabiliti Islam. Kerangka konseptual yang dicadangkan menunjukkan bahawa lima dimensi kesediaan transformasi digital, iaitu kesediaan infrastruktur digital, kompetensi digital pekerja, sistem maklumat bersepadu, keupayaan organisasi menyesuaikan diri, dan sokongan kepimpinan, berpotensi meningkatkan keberkesanan pelaksanaan perakaunan kos perkhidmatan. Tadbir urus kolaboratif pula diposisikan sebagai faktor sokongan yang dapat mengukuhkan hubungan antara kesediaan transformasi digital dan keberkesanan pelaksanaan. Sebanyak tujuh proposisi dikemukakan sebagai panduan untuk penyelidikan empirikal pada masa hadapan. Kerangka yang dicadangkan menunjukkan bahawa pelaksanaan perakaunan kos perkhidmatan yang berkesan mampu meningkatkan ketepatan maklumat, penyelarasan operasi, ketelusan kewangan, kualiti pembuatan keputusan sektor awam, serta akauntabiliti Islam dalam pengurusan dan penggunaan sumber awam. Makalah ini menyumbang kepada pengembangan ilmu dengan mengintegrasikan konsep kesediaan transformasi digital, perakaunan kos perkhidmatan, dan akauntabiliti sektor awam Islam dalam konteks negara membangun. Di samping itu, makalah ini turut menyediakan panduan praktikal kepada pembuat dasar dan pengurus sektor awam yang berhasrat memodenkan sistem perakaunan sambil mengekalkan prinsip tadbir urus beretika dan kepentingan awam.

***Kata kunci**: Kesediaan transformasi digital, perakaunan kos perkhidmatan, akauntabiliti sektor awam Islam, perakaunan sektor awam, tadbir urus kolaboratif.*

INTRODUCTION

Public sector organisations are expected to provide services efficiently while showing clear accountability for public funds. In developing countries, this expectation is often difficult to meet because public agencies may operate with limited resources, fragmented systems, and uneven administrative capacity. Public sector accounting is therefore important not only for compliance, but also for planning, monitoring, resource allocation, and service improvement. Prior studies show that public sector accounting reform is affected by institutional conditions, technical capacity, information systems, and the ability of public organisations to use accounting information for decision-making (Alqudah et al., 2022; Alsharari & Ikem, 2023; Miraj & Wang, 2019).

Service cost accounting is one mechanism through which public organisations can understand the cost of delivering public services. It helps managers identify how resources are consumed, whether services are delivered efficiently, and where operational improvement is needed. Evidence from public sector accounting research shows that service cost accounting implementation can be affected by institutional challenges, limited expertise, weak internal mechanisms, and poor system integration (Alqudah et al., 2022). These challenges are especially important in developing-country public sectors, where accounting reforms often depend on broader administrative and technological readiness.

The issue of public resource management is also relevant to Islamic public governance. Islamic accountability is not limited to formal reporting to a superior authority. It also includes accountability to Allah and to society. Basri et al. (2016) found that Muslim scholars view accounting and formal financial reporting as consistent with Islamic accountability, especially where organisations manage public or community funds. Farhana et al. (2022) further show that Islamic public budgeting is connected to accountability, transparency, public welfare, and the need to ensure that public expenditure serves the maslahah of the ummah. These studies suggest that accounting information can support Islamic governance when it helps public organisations explain how resources are used and how decisions serve public interest.

Islamic Public Administration provides a wider basis for this argument. Kay (2024) explains that Islamic Public Administration should be understood as a context-sensitive tradition grounded in Islamic theology, law, and ethics, rather than as a single fixed administrative model. This view is useful for the present paper because service cost accounting is not treated as Islamic simply because it uses accounting techniques. Rather, it becomes relevant to Islamic public sector accountability when it supports amanah, improves transparency, strengthens public oversight, and helps decision-makers consider maslahah and adl in public resource management.

At the same time, digital transformation has become a major issue in public sector reform. Digital transformation is not only about adopting technology. It also involves changes in work processes, employee skills, information flows, leadership commitment, and organisational routines (Mergel et al., 2019; Vial, 2019). Public sector accounting reform increasingly depends on reliable digital systems, because cost information often requires data from budgeting, procurement, payroll, asset management, and service delivery units. Alsharari and Ikem (2023) show that digital accounting systems and information technology are closely linked in public sector transformation.

Existing studies have discussed service cost accounting, digital transformation, and Islamic accountability, but these areas are often examined separately. There is limited conceptual work explaining how digital transformation readiness may support service cost accounting implementation and how such implementation can contribute to Islamic public sector accountability. This gap is important because digital systems will not automatically improve accountability if they are not aligned with accounting needs, public service processes, and ethical governance objectives.

This paper addresses this gap by developing a conceptual framework that links digital transformation readiness, service cost accounting implementation effectiveness, and Islamic public sector accountability. Specifically, the paper identifies five dimensions of digital transformation readiness, explains the role of collaborative governance, and proposes Islamic accountability outcomes arising from effective service cost accounting implementation. The paper contributes to the literature by connecting public sector accounting reform with Islamic governance values and digital readiness in developing-country contexts.

LITERATURE REVIEW

Public Sector Service Cost Accounting

Service cost accounting refers to the process of identifying, measuring, analysing, and reporting the costs involved in delivering services. In the public sector, such information can support budgeting, expenditure control, operational evaluation, and decision-making. Public sector organisations need cost information because service delivery normally involves several departments, activities, and resources. Without reliable cost information, managers may find it difficult to assess efficiency, compare alternatives, and justify the use of public funds.

Alqudah et al. (2022) examined difficulties in implementing service cost accounting systems in the public sector and identified challenges related to institutional conditions, human resources, internal mechanisms, and state-level mechanisms. Their findings are important because they show that service cost accounting implementation is not merely a technical accounting issue. It depends on organisational capacity, training, integrated systems, and support from wider public sector institutions.

Service cost accounting also has accountability value. Accurate cost information can help public organisations explain how resources are allocated, which services consume higher resources, and whether service delivery is aligned with public needs. This is consistent with the wider public sector accounting literature, which views accounting reform as part of public financial management and accountability rather than as a purely technical reporting activity (Alsharari & Ikem, 2023; Miraj & Wang, 2019).

Islamic Governance, Accountability and Public Resource Stewardship

Islamic accountability provides an ethical basis for discussing public resource management. Basri et al. (2016) show that contemporary Muslim scholars do not view accounting and accountability as contradictory to Islamic teachings. Their study further indicates that accountability in Islam involves both legal responsibility and responsibility to Allah. In this view, trust or amanah does not remove the need for formal accountability mechanisms. Organisations managing public or community funds are expected to demonstrate financial accountability through formal written reports. Farhana et al. (2022) extend this discussion into public budgeting. Their study of Aceh provincial government shows that Islamic principles in public budgeting are closely related to transparency, accountability, public welfare, and fair resource allocation. They argue that a narrow understanding of Shariah, limited only to rituals, symbols, or criminal law, can weaken the implementation of Islamic values in public governance. This finding is relevant to the present paper because accounting reform should not be separated from the ethical management of public resources.

The principle of maslahah is particularly important for public sector accounting. In Islamic public budgeting, public expenditure should prioritise public welfare, avoid waste, and serve the interest of the wider community (Farhana et al., 2022). Service cost accounting can support this objective by providing information about the cost and efficiency of public services. Cost information alone does not guarantee maslahah-oriented decisions, but it can provide a clearer basis for evaluating whether resources are used responsibly and whether services address public needs.

Islamic accountability can also be understood through different accountability dimensions. Kamaruddin and Auzair (2020) developed an Islamic accountability measurement instrument and identified accountability for input, accountability for output, procedural accountability, and accountability for Islamic principles and values. These dimensions are useful for this paper because service cost accounting is closely related to input and output accountability. It can help public organisations explain what resources were used, what services were produced, which procedures were followed, and whether public resource use is consistent with values such as amanah, adl, and maslahah.

Islamic Public Administration offers a broader context for these ideas. Kay (2024) argues that Islamic Public Administration should allow context sensitivity because Islamic governance has developed across different periods, societies, and administrative systems. This supports a cautious approach in the present paper. The argument is not that a single accounting technique is inherently Islamic. Rather, the paper argues that service cost accounting can support Islamic public accountability when it improves transparency, strengthens oversight, and helps public officials manage entrusted resources responsibly.

Digital Transformation Readiness

Digital transformation refers to the use of digital technologies to change organisational processes, information flows, service delivery, and decision-making. Research on digital transformation shows that successful transformation requires more than the adoption of technology. It also depends on employee capability, leadership support, process redesign, and organisational readiness (Mergel et al., 2019; Vial, 2019).

Digital transformation readiness refers to the extent to which an organisation is prepared to adopt, use, and sustain digital systems. For public sector accounting, readiness is important because accounting information increasingly depends on digital data from several organisational functions. Sagala and Ori (2024) emphasise the role of training, leadership, digital tools, and organisational arrangements in digital transformation. Although their study focuses on SMEs, the readiness dimensions are relevant to public organisations because both contexts require skills, systems, and change capacity.

In this paper, digital transformation readiness consists of five dimensions: digital infrastructure readiness, employee digital competency, integrated information systems, organisational adaptability, and leadership support. These dimensions are selected because they respond directly to the implementation barriers reported in public sector service cost accounting and digital accounting studies (Alqudah et al., 2022; Alsharari & Ikem, 2023; Sagala & Ori, 2024).

Digital Accounting Systems and Information Integration

Digital accounting systems are accounting systems supported by digital technologies, integrated databases, automated reporting, and electronic records. Alsharari and Ikem (2023) argue that digital accounting systems and information technology interact with one another in public sector transformation. This means that accounting reform cannot be separated from the information systems that generate, process, and report accounting data.

Information integration is especially important for service cost accounting because cost information normally comes from different sources, including budgeting, procurement, payroll, asset management, and service delivery units. When these systems are fragmented, cost information may be incomplete or delayed. When systems are integrated, public organisations are more likely to produce consistent and useful cost information. Acharya et al. (2022) show that knowledge integration capability can support innovation and information management, which strengthens the argument that accounting reform requires both financial and operational data integration.

Recent work on digital innovations in public sector accounting reforms also highlights the role of multiple actors and collaborative arrangements. Bekiaris et al. (2026) show that digital innovations supporting public sector accounting reforms involve different actors and governance arrangements. This supports the argument that digital readiness must be accompanied by coordination across organisational and institutional boundaries.

Collaborative Governance and Shura

Collaborative governance refers to arrangements where public actors and relevant stakeholders work together to solve public problems, coordinate implementation, and improve accountability. Ansell and Gash (2008) describe collaborative governance as a process that brings public agencies and stakeholders into collective decision-making. Emerson et al. (2012) further explain that collaborative governance involves shared motivation, principled engagement, and capacity for joint action.

In the present paper, collaborative governance is positioned as a supporting condition. Service cost accounting implementation normally requires cooperation among accounting units, operational departments, information technology staff, senior managers, policymakers, auditors, and sometimes external system providers. This is consistent with Bekiaris et al. (2026), who found that public sector accounting reform supported by digital innovation involves collaborative efforts and governance arrangements.

From an Islamic governance perspective, collaborative governance can be linked cautiously to shura, or consultation. The paper does not treat shura and collaborative governance as identical concepts. Rather, it uses shura to support the view that consultation, shared responsibility, and stakeholder involvement are relevant to ethical public decision-making. This connection is consistent with the broader Islamic public administration view that Islamic values should inform governance practice in context-sensitive ways (Kay, 2024).

Theoretical Positioning and Conceptual Gap

This paper is positioned within institutional theory and Islamic public accountability. Institutional theory is useful because public sector accounting reform is shaped by rules, norms, legitimacy expectations, and organisational routines. Meyer and Rowan (1977) explain that formal structures may be adopted because they are viewed as legitimate, while DiMaggio and Powell (1983) show how organisations become similar because of coercive, mimetic, and normative pressures. These ideas are relevant to public sector accounting reform because governments may adopt new accounting systems in response to administrative rules, professional expectations, and public accountability demands.

However, institutional theory alone does not explain the Islamic ethical purpose of the reform. Islamic public accountability adds an ethical dimension by emphasising accountability to Allah and society, amanah in the use of entrusted resources, maslahah in serving public welfare, and adl in fair resource allocation (Basri et al., 2016; Farhana et al., 2022; Kamaruddin & Auzair, 2020). By combining institutional theory with Islamic accountability, this paper explains both why public organisations may adopt accounting reforms and how such reforms can support ethical public resource management.

The conceptual gap addressed in this paper is the limited integration between digital transformation readiness, service cost accounting implementation, and Islamic public sector accountability. Previous studies discuss service cost accounting implementation challenges, digital accounting systems, and Islamic accountability separately. This paper links these areas by proposing that digital readiness can strengthen service cost accounting implementation, and that effective implementation can support Islamic accountability outcomes in public sector organisations.

METHODOLOGY

This paper adopts an evidence-informed conceptual review approach. A conceptual review is appropriate because the purpose of the paper is to integrate related bodies of literature and develop a framework for future empirical testing. The paper does not test primary data. Instead, it synthesises scholarly articles to explain how digital transformation readiness may support service cost accounting implementation and how such implementation may contribute to Islamic public sector accountability.

To improve transparency, the review was organised around five source groups: public sector service cost accounting, digital transformation readiness, digital accounting systems, collaborative governance, and Islamic governance and accountability. The literature was identified mainly through Scopus, supplemented by known scholarly articles already used in the original manuscript. Search terms included combinations of service cost accounting, public sector accounting, digital transformation readiness, digital accounting systems, integrated information systems, collaborative governance, Islamic governance, Islamic accountability, amanah, maslahah, hisbah, shura, and public financial management.

For the Islamic governance and accountability source group, a focused Scopus search was conducted using the TITLE-ABS-KEY field. The search combined Islamic governance-related terms with accountability, transparency, stewardship, public interest, public trust, and public financial management terms. After applying basic filters for journal articles, English language, relevant subject areas, and recent publication period where appropriate, 72 records remained. Title and abstract screening identified 11 core articles. The final Islamic governance sources used in this paper were selected after checking their direct relevance to Islamic accountability, public administration, budgeting, accounting, digital governance, and public resource stewardship.

The synthesis followed four steps. First, studies on service cost accounting and public sector accounting were reviewed to identify implementation barriers and accounting reform requirements. Second, studies on digital transformation and digital accounting systems were reviewed to identify readiness dimensions relevant to accounting implementation. Third, Islamic governance and accountability studies were reviewed to identify the ethical accountability concepts relevant to public resource management. Fourth, collaborative governance literature was reviewed to clarify the role of stakeholder coordination in public sector accounting reform.

The conceptual framework was developed by comparing recurring themes across the reviewed literature. Five readiness dimensions were retained because they repeatedly appeared as relevant to digital transformation and accounting implementation: digital infrastructure readiness, employee digital competency, integrated information systems, organisational adaptability, and leadership support. Collaborative governance was positioned as a supporting condition. Islamic public sector accountability was added as an outcome layer because the reviewed Islamic accountability literature emphasises accountability for resources, outputs, procedures, and values.

Table 1

Summary of Source Groups Used in the Conceptual Review

Source group	Main concepts reviewed	Use in framework
Public sector service cost accounting	Service cost accounting implementation, barriers, public sector accounting reform	Dependent construct and implementation challenges
Digital transformation readiness	Digital readiness, infrastructure, skills, leadership, adaptability	Five readiness dimensions
Digital accounting and information systems	Digital accounting systems, system integration, data quality	Mechanism linking readiness to implementation effectiveness
Islamic governance and accountability	Amanah, maslahah, hisbah, adl, Islamic accountability, public resource stewardship	Islamic accountability outcome layer
Collaborative governance	Stakeholder coordination, shared governance, public sector collaboration, shura	Supporting condition strengthening implementation

CONCEPTUAL FRAMEWORK

The proposed framework links digital transformation readiness, service cost accounting implementation effectiveness, and Islamic public sector accountability. Digital transformation readiness is conceptualised as a multidimensional organisational capability consisting of digital infrastructure readiness, employee digital competency, integrated information systems, organisational adaptability, and leadership support. These dimensions represent the internal capacity of a public sector organisation to use digital technologies in support of accounting reform.

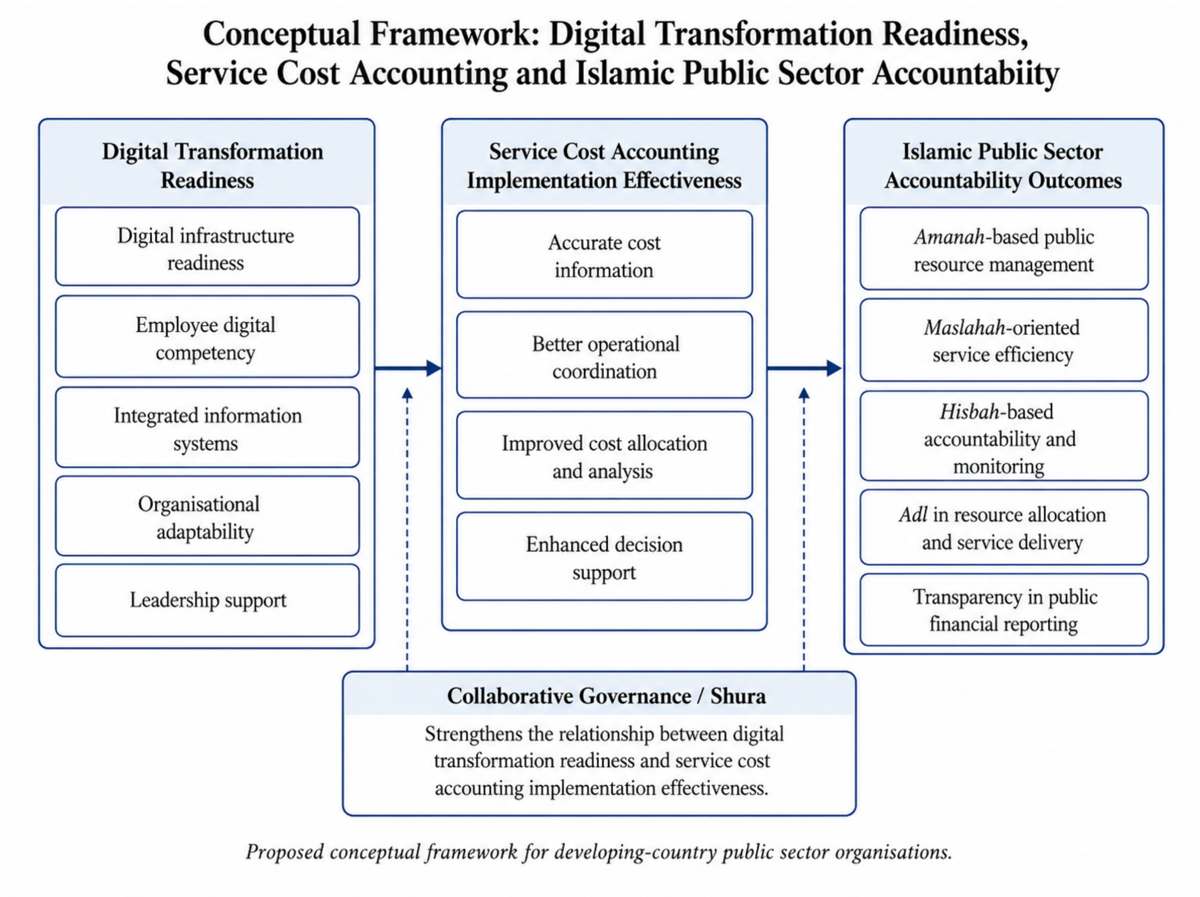
Service cost accounting implementation effectiveness refers to the extent to which a public sector organisation can implement service cost accounting in a way that improves accounting information, supports operational coordination, and assists managerial decision-making. The framework suggests that public organisations with stronger digital readiness are better positioned to implement service cost accounting effectively because they have better systems, skills, data integration, process adaptability, and leadership commitment.

The revised framework adds Islamic public sector accountability as an outcome layer. Effective service cost accounting can support Islamic accountability when it improves the ability of public organisations to explain resource use, monitor service costs, reduce waste, improve transparency, and support decisions that serve public welfare. This outcome layer is supported by Islamic accountability literature that links accounting, formal reporting, public resource stewardship, and accountability to Allah and society (Basri et al., 2016; Farhana et al., 2022; Kamaruddin & Auzair, 2020).

Collaborative governance is positioned as a supporting condition that strengthens the relationship between digital transformation readiness and service cost accounting implementation effectiveness. This means that internal readiness alone may not be enough. Implementation also requires coordination among accounting, operational, information technology, policy, and oversight actors. In an Islamic governance context, this collaborative logic is also consistent with the value of consultation and shared responsibility.

Figure 1

Proposed conceptual framework



Note. The framework links digital transformation readiness with service cost accounting implementation effectiveness and Islamic public sector accountability outcomes. Collaborative governance/Shura is presented as a supporting condition.

Dimensions of Digital Transformation Readiness

Table 2

Dimensions of Digital Transformation Readiness

Dimension	Meaning	Expected contribution to service cost accounting and accountability
Digital infrastructure readiness	Availability of digital platforms, network capacity, databases, and IT resources.	Supports automated reporting, data capture, and traceability of cost information.
Employee digital competency	Employee ability to use digital systems, manage data, and interpret accounting information.	Improves data quality, reduces errors, and supports responsible use of accounting information.
Integrated information systems	Connection between accounting, budgeting, procurement, payroll, assets, and service delivery systems.	Improves information accuracy, operational coordination, and accountability for input and output.
Organisational adaptability	Capacity to adjust routines, procedures, and work practices during digital and accounting reform.	Reduces resistance and supports sustainable implementation.
Leadership support	Strategic commitment, resource allocation, and direction from senior management.	Aligns digital transformation with accounting reform and public accountability objectives.
Collaborative governance	Stakeholder coordination, interdepartmental cooperation, and shared problem-solving.	Strengthens implementation through coordination, consultation, and shared accountability.

Propositions

P1: Digital infrastructure readiness positively influences service cost accounting implementation effectiveness in public sector organisations.
P2: Employee digital competency positively influences service cost accounting implementation effectiveness.
P3: Integrated information systems positively influence service cost accounting implementation effectiveness.
P4: Organisational adaptability positively influences service cost accounting implementation effectiveness.
P5: Leadership support positively influences service cost accounting implementation effectiveness.
P6: Collaborative governance strengthens the relationship between digital transformation readiness and service cost accounting implementation effectiveness.
P7: Service cost accounting implementation effectiveness strengthens Islamic public sector accountability by improving transparency, accountability for resource use, and maslahah-oriented decision-making.

DISCUSSION

The proposed framework explains service cost accounting implementation as both an accounting reform and an accountability reform. In the original public sector accounting literature, implementation difficulties are commonly linked to institutional barriers, limited expertise, poor integration, and weak internal mechanisms (Alqudah et al., 2022). The revised framework extends this discussion by arguing that these difficulties can be addressed partly through digital transformation readiness. Digital infrastructure, competent employees, integrated systems, adaptable routines, and leadership support provide the conditions needed for reliable service cost accounting.

The framework also clarifies why digital transformation readiness matters for Islamic public sector accountability. Digital systems can improve the collection, processing, and reporting of cost data. However, digital systems alone do not create accountability. Accountability requires that information is used to explain resource use, support responsible decisions, and improve public service outcomes. This is consistent with Basri et al. (2016), who show that formal accounting and reporting mechanisms are important in Islamic accountability, and with Farhana et al. (2022), who connect public budgeting to transparency, accountability, and public welfare.

Digital infrastructure readiness is the foundation for effective implementation. Service cost accounting requires timely and reliable data. Without digital infrastructure, public organisations may depend on manual records and fragmented spreadsheets. This can weaken information accuracy and reduce the usefulness of cost information. Alsharari and Ikem (2023) show that digital accounting systems and information technology are mutually connected in public sector transformation. For Islamic accountability, better digital infrastructure can support traceability and reporting, which are important for demonstrating amanah in public resource management.

Employee digital competency is also important. Public sector employees need to understand how to enter, process, and interpret accounting and operational data. If employees lack digital competency, digital systems may produce poor-quality information or may be underused. Training and continuous learning are therefore part of accounting reform. This supports the view that digital transformation requires human capability and organisational learning, not only technology adoption (Mergel et al., 2019; Sagala & Ori, 2024).

Integrated information systems are central to service cost accounting because public service costs are generated across several functions. Cost information may require data from procurement, human resources, assets, budgeting, and service delivery. Fragmented systems make it difficult to link financial and operational information. Integration can improve information accuracy, operational coordination, and accountability for input and output. This directly connects with Kamaruddin and Auzair (2020), who identify input, output, procedural, and Islamic principles as dimensions of Islamic accountability.

Organisational adaptability and leadership support shape the implementation environment. Service cost accounting requires changes in work routines, reporting practices, data collection procedures, and interdepartmental coordination. Employees may resist the reform if they view it only as additional administrative work. Leadership support is needed to explain the purpose of the reform, provide resources, and align digital transformation with public accountability. In Islamic governance terms, leadership support is also relevant to amanah because public leaders are responsible for ensuring that public resources are managed with care and integrity.

Collaborative governance strengthens the framework because public sector accounting reform normally involves several actors. Accounting officers, IT personnel, operational departments, policymakers, auditors, and service units must coordinate their work. Bekiaris et al. (2026) show that digital innovations for public sector accounting reforms involve collaborative efforts and governance arrangements. Ansell and Gash (2008) and Emerson et al. (2012) also show that collaborative governance can support collective action in public administration. In this paper, collaborative governance is treated as a supporting condition that helps translate digital readiness into implementation effectiveness.

The revised framework contributes to Islamic public sector accountability by linking service cost accounting to public resource stewardship. Farhana et al. (2022) show that Islamic public budgeting requires attention to public welfare, fair allocation, and accountability to Allah and society. Service cost accounting can support these aims by showing what resources are used, what services are produced, and whether spending decisions are efficient and transparent. This does not mean that cost information alone determines ethical decisions. Rather, cost information provides evidence that can help public officials make more responsible and maslahah-oriented decisions.

THEORETICAL CONTRIBUTIONS

This paper makes three theoretical contributions. First, it contributes to public sector service cost accounting literature by identifying digital transformation readiness as an important condition for implementation effectiveness. Second, it contributes to digital accounting literature by showing how digital readiness dimensions can be applied to public sector service cost accounting reform. Third, it contributes to Islamic accountability literature by explaining how service cost accounting can support accountability for input, output, procedures, and Islamic values.

The paper also contributes by combining institutional theory with Islamic public accountability. Institutional theory explains how public sector accounting reform is shaped by rules, legitimacy, and organisational pressures. Islamic public accountability explains the ethical purpose of the reform by linking accounting information to amanah, maslahah, hisbah, adl, and responsible public resource stewardship.

PRACTICAL AND POLICY IMPLICATIONS

For public sector managers, the framework suggests that service cost accounting implementation should begin with a digital readiness assessment. Managers should examine whether the organisation has adequate digital infrastructure, competent employees, integrated systems, adaptable procedures, and leadership support. Such an assessment can identify weaknesses before costly accounting reforms are introduced.

For policymakers, the framework suggests that service cost accounting should not be treated as a stand-alone accounting project. It should be aligned with wider public sector digital transformation strategies, data integration standards, and accountability objectives. In developing countries, this alignment is important because system fragmentation and uneven capability can weaken implementation.

For Islamic public governance, the framework suggests that accounting reform should be connected to ethical public resource management. Service cost accounting can support amanah by improving the ability to explain resource use. It can support maslahah by helping managers evaluate whether services are delivered efficiently and whether resources are directed to public needs. It can support hisbah by strengthening monitoring, traceability, and oversight.

LIMITATIONS AND FUTURE RESEARCH

This paper is conceptual and does not provide empirical testing of the proposed relationships. The framework should therefore be treated as a basis for future research rather than as confirmed evidence of causal relationships. Future studies may test the propositions using survey data from public sector organisations. Such studies may examine whether digital infrastructure readiness, employee digital competency, integrated information systems, organisational adaptability, and leadership support significantly influence service cost accounting implementation effectiveness.

Future research may also examine collaborative governance as a moderating condition. Qualitative case studies could explore how accounting officers, IT staff, operational managers, auditors, and policymakers coordinate during service cost accounting implementation. Comparative studies across developing countries may also show how institutional conditions shape the relationship between digital transformation readiness and Islamic public sector accountability.

Further research can develop measurement instruments for Islamic public sector accountability outcomes. Kamaruddin and Auzair (2020) provide a useful starting point through input, output, procedural, and Islamic principles dimensions. Future studies may adapt these dimensions to public sector service cost accounting by developing indicators for transparency, resource stewardship, public service efficiency, and maslahah-oriented decision-making.

CONCLUSION

This conceptual paper examined the role of digital transformation readiness in supporting service cost accounting implementation and Islamic public sector accountability in developing countries. The paper argues that service cost accounting implementation is not only an accounting issue. It is also connected to digital readiness, organisational capacity, collaborative governance, and ethical public resource management.

The proposed framework identifies five dimensions of digital transformation readiness: digital infrastructure readiness, employee digital competency, integrated information systems, organisational adaptability, and leadership support. It also positions collaborative governance as a supporting condition that strengthens implementation. The revised framework further adds Islamic public sector accountability as an outcome layer, showing how effective service cost accounting can support transparency, accountability for resource use, and maslahah-oriented decision-making.

The paper responds to the need for stronger integration between public sector accounting reform and Islamic development perspectives. By linking digital transformation readiness, service cost accounting, and Islamic accountability, the framework provides a clearer basis for future empirical research and practical reform. Public sector organisations should therefore view digital accounting reform not only as a technical project, but as part of a wider effort to improve accountability, stewardship, and public service outcomes.

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DECLARATION OF CONFLICT OF INTEREST

The author declares that there are no conflicts of interest related to this research and no potential conflicts of interest concerning the research, authorship, or publication of this article.

DATA AVAILABILITY STATEMENT

The data supporting the findings of this study are available within this article.

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