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Research paper

An Exploration of The Relationship between Management Accounting and Economic Performance

Dr. Shyam Maurya *, Dr. Utkarsh Anand

Assistant Professor, Department of Management, Kalinga University, Raipur, India.
**Corresponding author E-mail: ku.shyammaurya@kalingauniversity.ac.in*

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Abstract

Globalization and technological advancements have made firms more vulnerable in the current corporate environment. As a result, a firm's ability to maintain a competitive edge over time is highly unclear. When determining competitive advantage, one of the most important elements is "cost."The shift in our economic landscape, along with its growth and development phases, is all part of what we now call the new normal. In this context, exploring how accounting ties into economic efficiency is crucial for boosting the competitiveness of businesses, enhancing the national economy, and fostering sustainable, healthy growth. The article starts by briefly discussing the link between accounting and economic benefits in this new normal. We believe that these insights can effectively contribute to the robust growth of social economics, as they highlight the dynamic relationship between accounting practices and economic advantages.

Keywords: *Normal New; Accounting; Economic Benefits.*

1. Introduction

One instrument for supplying data pertinent to decision-making is management accounting. Through pertinent data and information, "information" aids in making high-quality decisions. According to CGMA (2017), management accounting assists managers in coordinating the firm's strategy with the business model that will be used for that reason. The supply chain plays an important part in the operation of many firms in the current environment (Alleyne & Weekes-Marshall, 2011). Through management accounting tools, the cost centers of each supply chain operation provide information about the expenses and time that ultimately affect an organization's financial health and performance (Mbawuni&Anertey, 2014). A company's financial situation can be impacted by a number of supply chain operations, including lead time, procurement expenses, stock holding costs, transportation costs, distribution costs, and many more(Koulani&Mirabbasi, 2017). As a result, comparing the expenses of different supply chain operations to those of peers and the best in the industry is crucial. More often than not, managers do not employ management accounting techniques and technologies that might give them the data they need to examine and potentially improve supply chain agility. The company saves money and time as a result(Kazempoor et al., 2022). Additionally, the data acquired can be utilized in a variety of data models to assess the effects of different supply chain procedures, cost centers, and required corrective actions taken for the cost-effectiveness of products and services (Christ & Burritt, 2013).
According to a different perspective, accounting development is done for financial gain. Economic benefits have therefore raised a lot of concerns(Koulani&Mirabbasi, 2017; Alkhutaba, 2023). However, because of the connection between accounting and economic gains, it is crucial for businesses to fully comprehend this relationship to differentiate themselves in the new normal of competition (Gul & Chia, 1994). The company's growth and financial gains are directly reflected in accounting proficiency, demonstrating the significance of accounting and its influence on these outcomes. The advantages of accounting and ways to increase economic gains will thereafter be the main topics of discussion(Roslender& Hart, 2003; Alexander et al., 2018).

2. Review of Literature

"India is emerging as the world's fastest-growing economy," claims. India ranks 13th in terms of GDP growth and 46th in terms of global trade logistics, per a World Bank survey. Even though the economy is doing well overall, estimates show that the nation's inefficient supply chain costs it about $65 billion annually. In India, supply chain expenses account for up to 13% of GDP. This is almost twice as high as the percentage in industrialized nations. For instance, in the United States, supply chain expenses represent 8.5 percent of GDP."
The introduction of industrial production in the 19th century marked the beginning of management accounting techniques (Khyade et al., 2018; Teker, 2020). Management accounting has evolved over the years into a more strategic approach, focusing on the key operational and financial aspects that really impact both shareholder and customer satisfaction(Bennett et al., 2013; Rahmani&Alidoust, 2018).

The Institute of Management Accountants' 1999 statement of Tools and Techniques for Implementing Integrated Supply Chain Management (ISCM) contains specifics about the role of a management accountant. Has examined nine essential functions of ISCM management accountants(Cadez&Guilding, 2008).

Management accounting practices have evolved significantly over the years, especially when it comes to evaluating the performance of supply chain processes. Nowadays, they include a variety of innovative tools and techniques like activity-based costing and management, product cycle costing, customer accounting, target costing, quality cost management, and the balanced scorecard approach.

The researcher concluded by highlighting some of the more recent contributions to the OBA literature, which are primarily restricted to the network perspective on open book accounting, which considers the connection between the buyer and supplier, trust, and the perspective of transaction cost economics. According to the studies, which give information on cost management, the future of a successful supply chain in any industrial setting hinges on the trust between the buyer and supplier (Abdel-Kader & Luther, 2008).

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3. Materials and Methods

Accounting and economic gains are related to each other. Social production practices are used to create accounting (ACT). It is a tool for high-level economic activity management, oversight, and accounting that is utilized for economic growth and development. It falls within the subject area and is becoming more and more significant. Economic benefit is essentially the ultimate measure of all economic activity, shaped by our subjective human experiences. It represents the social labor saved through the exchange of goods and services. When we talk about transfer, it’s quite straightforward and fits neatly into the objective category. There’s a deep connection between how we perceive things and how they exist, as well as between change and what gets changed. These relationships are all intertwined. While economic benefits can sometimes limit and constrain accounting practices and development, the new regulations pave the way for ongoing progress. This allows for the enhancement and transformation of accounting functions, pushing the limits of current economic benefits through intentional actions, and evolving accounting practices and economic advantages.

Another way to understand the link between accounting and economic benefits is through the concept of purpose and means, or dialectical unity. The new normal suggests that modernizing and transforming accounting processes is essential for boosting both the economic and social benefits of a business. This transformation also acts as a catalyst for achieving those benefits. To satisfy the growing material and cultural needs of people, enhance economic advantages, strengthen a company's market competitiveness, and utilize limited resources to build social wealth, there’s a constant evolution in financial thinking and the creation of financial value. Economic gain reflects the ratio of total production to production costs, as well as the human desire for both financial and spiritual fulfillment. This demand must evolve alongside economic activities and be supported by accounting tools.

A look into contemporary businesses shows that accounting theory and practice are closely tied to economic gains. Evidence has shown that economic interests manifest in theoretical relationships. Accounting is not just a profession; it’s a business discipline focused on financial goals and plays a crucial role in enhancing financial gains (Cleary, 2009).

4. Findings

With the explosion of information on the internet, the rapid rise of "Internet+," and the surge in "large-scale entrepreneurship and innovation," it's crucial that accounting reform and progress focus on maximizing societal and economic benefits. To start, the emergence of a new economy and corporate structure is set to change the traditional ways of doing things. This shift will push accounting practices to evolve from merely "recording value" to actively "managing the creation of financial value" and handling vouchers. To break free from the limitations of traditional bookkeeping, we need to embrace "Internet+" thinking and drive innovation in accounting functions. Second, it facilitates the modernization and enhancement of accounting operations by utilizing the most recent information platform, changing "static" accounting management to "dynamic," converting "post-event" accounting into full process management, and expediting. To increase the function of accounting supervision, achieve the integration and evolution of financial accounting and the most recent management, and continuously reinvent (Lowry, 1990).

Companies are focused on the bottom line, which includes cost savings and return on investment. Numerous elements, some of which are intricate and unpredictable, are used to determine costs. Regulations, transportation, lead time, and different supplier levels all have an impact on the cost element in a supply chain process. Since the introduction of information technology, it has become easier to determine the cost of supply chain operations, which has led to an increase in process speed and efficiency. Independent Samples Test shown in Table 1.

Table 1: Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference Lower	Upper
What is the impact of management accounting on economic governance in organizations?	Equal variances assumed	.010	.923	.024	48	.981	.035	1.460	-2.900	2.970
	Equal variances not assumed			.024	43.813	.981	.035	1.455	-2.897	2.967

Automation makes it simple to identify, evaluate, and compare the whole cost determination of each cost point or center in order to make judgments about process improvement and cost reduction, which eventually helps to mitigate the uncontrollable expenses. An organization's management and strategy determine how much the supply chain costs. Finding the expenses and determining the benefits for the company are facilitated by the many management accounting techniques that the organization has used. Variance Explained is shown in Table 2.

Table 2: Variance Explained

Factor	InitialEigenvalues			ExtractionSumsofSquared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative%
Value Proposition	3.236	35.957	35.957	3.017	33.522	33.522	2.864	31.819	31.819
Market Demand	2.349	26.102	62.058	2.005	22.274	55.796	2.016	22.401	54.220
Cost Savings	1.361	15.120	77.179	1.153	12.816	68.612	1.295	14.391	68.612
Stakeholder Engagement	.766	8.515	85.694						
Digitalization	.464	5.160	90.854						
Emerging Technologies	.339	3.772	94.626						
Data Analytics	.275	3.060	97.687						
Revenue Streams	.137	1.522	99.209						
Regulatory Framework	.071	.791	100.000						
family-owned businesses	.766	8.515	85.694						
support innovation	.464	5.160	90.854						
sustainability in organizations	.339	3.772	94.626						
publicly traded companies	3.236	35.957	35.957						
economic performance	2.349	26.102	62.058						

Management accounting has evolved over the years into a more strategic approach, focusing on the key operational and financial aspects that impact both shareholder and customer satisfaction. The Rotated Factor Matrix is shown in Table 3.

Table 3: Rotated Factor Matrix

Description	Factor 1	2	3
What is the impact of management accounting on economic governance in organizations?	-.011	.889	.154
14. How do management accounting practices influence economic performance in family-owned businesses?	.085	.473	-.069
What's the connection between management accounting and how competitive industries are in the economy?	.913	.205	-.069
How do management accounting systems support innovation and economic performance?	.802	-.150	-.158
11. What is the impact of management accounting on economic sustainability in organizations?	.733	.282	.251
How do management accounting practices impact economic risk management in organizations?	.221	-.598	.150
What's the connection between management accounting and economic value added in publicly traded companies?	.662	.453	-.593
8. How do management accounting systems support strategic decision-making and economic performance?	.762	-.269	-.048
What is accounting for economic efficiency in public sector organizations?	.014	-.051	.893
Have you ever wondered how management accounting practices can impact the economic performance of small and medium-sized enterprises?	.085	.473	-.069
What is accounting for economic efficiency in public sector organizations?	.913	.205	-.069
Have you ever wondered how management accounting practices can impact the economic performance of small and medium-sized enterprises?	.802	-.150	-.158
What's the connection between management accounting and economic growth in developing countries? Also, how do management accountants leverage both financial and non-financial information to aid in economic decision-making?	.733	.282	.251
What effect does activity-based costing have on the economic performance of service industries?	.221	-.598	.150
How do management accounting systems impact economic decision-making in organizations?	.662	.453	-.593
Have you ever wondered how activity-based costing affects the economic performance of service industries?	.762	-.269	-.048
Let's explore the connection between management accounting practices and how they impact the economic performance of manufacturing firms.	.085	.473	-.069

The "costs" information serves as a strategic tool that aids in determining the future direction and decision-making process. Data analysis is aided by information gathered through the use of management accounting tools and processes, which provide inputs for controlling an organization's performance(Abdel-Kader & Luther, 2008).Traditional financial reporting format to a more strategic cost control that offers insights for strategic decision making.

5. Conclusion

Ghana's economy, like all economies, is based on small and medium-sized businesses. However, many of these SMEs fail within a few years of their founding. These issues could be caused by a number of things. Not having access to management accounting services might be one of the main reasons small and medium-sized enterprises (SMEs) are having a tough time staying afloat. The results from this study indicate that these services play a vital role in boosting the financial performance of SMEs. To make sure these management accounting services are accessible, the government needs to step up and offer some support. Information technology has been a driving force behind progress in every area. The study also reveals that when we look at the connection between financial accounting and financial performance, SMEs see a notable boost in their financial results. Therefore, it's highly recommended that SMEs embrace technology in their business operations.

According to the relationship, SMEs can enhance their financial performance by utilizing information technology in several procedures, such as management accounting.H3 evaluated the potential for information technology to dramatically moderate financial performance. Information technology is also available to SMEs that employ management accounting services. However, some SMEs may not be fully benefiting from management accounting services because they are doing it manually. Thus, it will be more appropriate to use information technology to enhance management accounting services.

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