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Research paper

The Impact of The Digital Accounting System on Financial Reporting Accuracy

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Abstract

Most organizations in a variety of sectors have embraced digital transformation for the purpose of improving their operations and productivity in the rapidly changing digital landscape of today. In emerging economies, the environment of financial reporting and accountability is transforming because of digital transformation, which encourages heightened efficiency and transparency. This growth is being fueled by the adoption of leading-edge technology such as blockchain, cloud computing, and AI, which is revolutionizing traditional financial processes. In emerging economies, where issues of unequal rules, inadequate infrastructure, and limited access to capital persist, digital transformation offers a means to enhance financial reporting and accountability structures. This capacity increases transparency, which fortifies decision-making procedures and boosts stakeholder trust. Digital transformation of the accounting profession has had profound implications for financial reporting and analysis methods. This study investigates the ways in which digital transformation affects technology adoption.

Keywords: *Digital Transformation; Financial Reporting; Economies; Blockchain; Cloud Computing, AI.*

1. Introduction

Accounting has evolved in the last few years because of digital technologies. One definition of "digital transformation" is the use of digital technologies to improve company decision-making, productivity, and efficiency(Zou& Ali, 2024). Bookkeeping, reconciliation, and data entry are some of the accounting processes that are mechanized by information technology (Dumitru, 2023; Masoumeh&Binesh, 2014). This technology enhances accounting efficiency by reducing processing time and human error. Accounting software and ERP offer real-time information and automate financial processes. IT solutions provide trustworthy data organization, retrieval, and storage. With the use of sophisticated data analytics tools and methodologies, accountants may analyze enormous datasets, spot trends, and reach well-informed conclusions. Through the facilitation of accurate, timely, and uniform financial accounts, it has transformed financial reporting. Financial reports are made easier to prepare and present through ERP and accounting software. Compliance with tax, audit, and financial reporting is maintained by IT systems. The methods can accelerate accounting, enhance accuracy, and provide real-time financial data analysis. While digital transformation has numerous benefits, accounting is not without challenges as well. Huge infrastructure, software, and training expenses are linked with emerging technologies (Elsharif, 2019). It may be difficult to integrate information from multiple sources while holding accuracy and reliability constant, as per Liu, Wu, and Xu (2019). Organizational resistance to digital technology deployment is a different issue. Knowing the problems that affect financial reporting and analysis due to digitalization is thus crucial (Arasuraja, 2024). Key Parameters for Digital Accounting are shown in Fig. 1.

Fig. 1: Key Parameters for Digital Accounting

In today's digital economy, digital accounting involves performing all accounting functions in an electronic environment(Forčaković&Dervišević, 2022; Habeeb, 2022). It can assist companies in assessing and reporting information and data more rapidly, efficiently, and effectively, and in completing functional tasks more accurately and quickly (Herath&Albarqi, 2017). Successful digital accounting companies can scale their accounting systems to handle larger sizes of operations and obtain accurate data for critical decision-making. They can track data and results and gain remote access to company data and financial information by using the system from anywhere at any time. Additionally, both directly and indirectly, they may use digital accounting to help businesses thrive, endure, and remain sustainable. Accordingly, digital accounting is seen as a profitable business approach that helps organizations generate pertinent accounting data, provide excellent financial reporting, and increase the effectiveness of strategic decision-making (Irwandi&Pamungkas, 2020; Kimani, 2024; Dinesh et al., 2016).

1.1 Objectives

This study will shed light on the challenges in financial reporting and analysis.

- To investigate how technology adoption and accounting industry financial reporting and analysis are related
- To evaluate how data integration affects financial reporting and analysis efficacy. Examine how training and skills can improve financial reporting and analysis in the digital age. Examine how digital culture affects the uptake and efficacy of digital tools for financial reporting and analysis.

2. Literature Review

G Cash has managed to tailor its products according to the individual needs of its clients using big data (Liu & Li, 2021). For example, the site provides personalized financial products and services through the application of data analytics to identify expenditure patterns and choices(Abdu et al., 2024). As one of Brazil's top digital banking platforms, Nubank is transforming financial services in a historically oligopolistic sector controlled by traditional banks(Sharma et al., 2018). By providing a variety of financial goods, including credit cards and personal loans, via an intuitive mobile app, Nubank has amassed millions of clients since its founding in 2013. Nubank's digital transformation initiatives have significantly advanced financial reporting and accountability. Numerous financial reporting processes at Nubank are automated due to its innovative exploitation of technology. By combining data analytical tools and accounting systems based in the cloud, Nubank can present in real time the financial reports containing insights into how the company works (Afeku-Amenyo, 2024). Nubank’s success stories highlight the value of flexibility and agility in managing quickly shifting market conditions. One of the most significant reasons behind Nubank's growth has been its ability to respond rapidly to consumer needs and industry trends. By regularly assessing its digital tools and procedures to make sure they continue to meet stakeholder expectations, the company exemplifies the necessity of sustained dedication and creativity to succeed in a digital transformation. The Paytm digital payments platform in India serves as another example. Originally introduced in 2010 as a platform for prepaid mobile recharges, Paytm has subsequently grown to offer a variety of financial services, including online shopping, bill payment, and banking.

3. Methodology

In the realm of financial inclusion, Paytm's rapid growth has transformed financial reporting processes in India. Merchants and small businesses now have it easier to participate in the formal economy due to Paytm's digitalization. Paytm has enabled these organizations to maintain accurate financial records and supply reliable financial reports by providing digital payment means (Adejugbe, 2024).

3.1 Sample Selection and Data

The sample in this research was selected from the listed companies in Thailand. Chief financial officers, directors of accounting, and other accounting executives were primary informants. Their responsibility is to design good-quality financial reports, ensure compliance with the laws, regulations, and procedures related to accounting, and produce all accounting and financial information to management and other parties. In relation to the mailing of the questionnaire, 331 responses were received out of 768 questionnaires distributed. Only 313 were

usable, however. Around 40.76% was the effective response rate. With a proper follow-up procedure, the response rate for a mail survey should be 20% or higher; therefore, the response rate is acceptable.

3.2 Measures

Each dimension was quantified using a 5-point Likert scale, where 1 represents strongly disagree and 5 represents strongly agree. To measure how companies manage all accounting activities in an electronic environment in the modern digital economy, a twelve-item scale was developed specifically for digital accounting. A ten-item scale was created to measure the quality of financial reporting by assessing how firms report accurate and fair information regarding their underlying performance, financial health, and position in the financial statements. An eight-item scale was created to measure the utility of accounting information in order to measure how firms collect and collate information that confirms and justifies their financial decisions. An eight-item instrument was utilized to measure how companies altered their value creation routes to remain competitive by leveraging digital techn Sology and resources. A seven-item scale of the effectiveness of strategic decisions was utilized to measure to which the company's decisions align with management's goals and within the constraints being reviewed. Conceptual framework shown in Fig. 2.

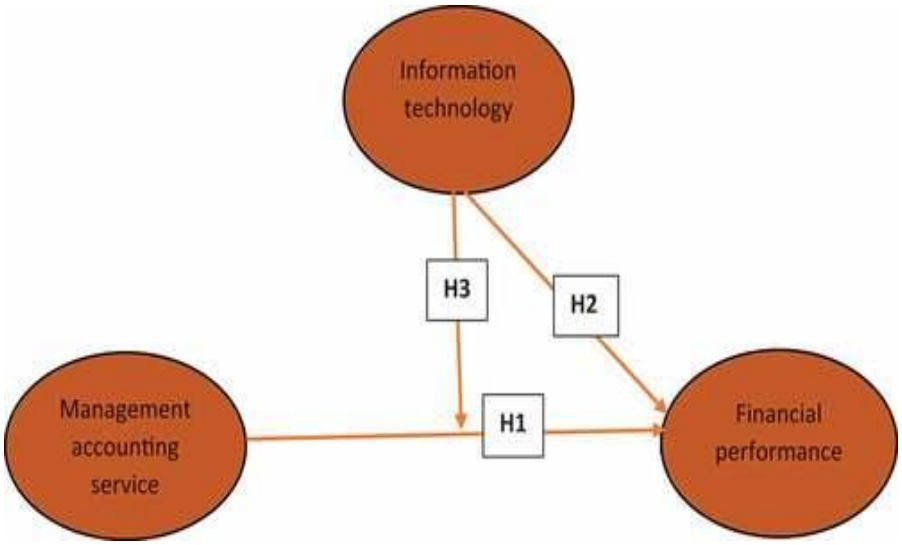

Fig.2: Conceptual Framework

3.3 Methods

The process of breaking down many variables into smaller parts to assess the validity and dependability of the research instrument is known as factor analysis. Significant factor loadings that ranged from 0.72 to 0.96—beyond the 0.40 cut-off—were observed. The measurement validity was then measured by item-total correlation using discriminant power. Values of item-total correlations were 0.69 to 0.96, well above 0.30. Finally, Cronbach's alpha coefficient was applied to evaluate the measurements' reliability. Cronbach alpha coefficients were greater, beyond the point of 0.70, and were between 0.90 and 0.95. The measures are thought to be suitable for more research because all their scales seem to generate internally consistent values.

4. Statistical Measures

More comprehensive, unbiased, and free of errors, and providing more useful predictive or corroborative information about the underlying economic situation, events, and performance of companies are known as financial reporting quality. One-Sample Statistics shown in Table 1.

Table 1: One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Identify customer preference regarding pricing	50	7.945000	4.1624506	.5886594

Giving precise financial reporting data is imperative because it will boost market efficiency by positively affecting capital providers and other stakeholders when they decide to lend, invest, and allocate other resources (Kim, 2022). Chi-Square Tests shown in Table 2.

Table 2: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	200.000[a]	196	.407
Likelihood Ratio	152.777	196	.990
Linear-by-Linear Association	.857	1	.354
N of Valid Cases	50		

Financial reporting quality describes the quality of information provided within financial reports, such as note disclosures. Dependent Variable: Decision Making shown in Fig. 3.

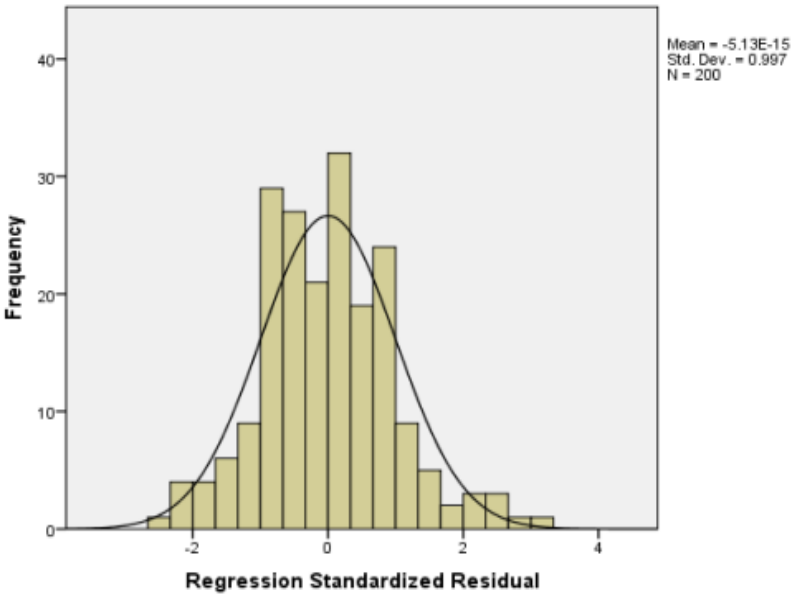

Fig. 3: Dependent Variable: Decision Making

A firm's economic reality at the end of the reporting period and its financial condition at that time are both best represented by quality reporting, which provides relevant and useful information. Frequency Plot: Horticulture Analysis shown in Fig. 4.

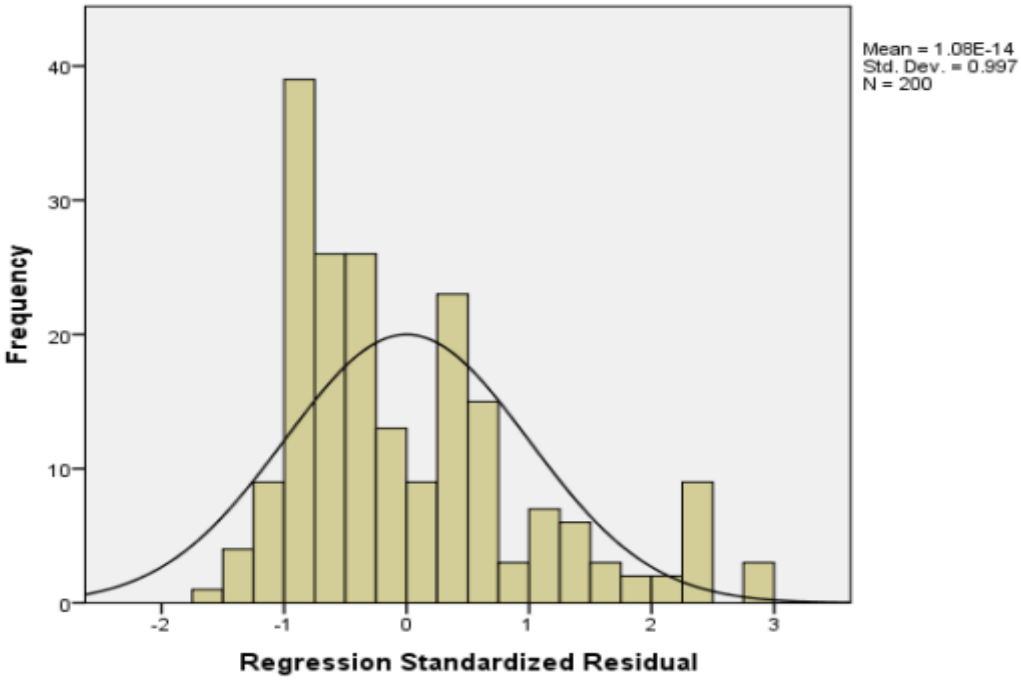

Fig. 4: Frequency Plot: Horticulture Analysis

The quality of reported results, or earnings quality, is correlated with the cash and profits produced by a company's underlying economic activity and the ensuing financial state. Operations that yield a sufficient return on investment and those that a business is likely to repeat in the future produce high-quality earnings(Dinesh et al., 2016).

5. Conclusion

Accounting, financial analysis, and reporting have evolved due to the digital revolution. Adoption of technology, training and skills, data consolidation, and digital culture were studied individually. Regression analysis revealed that all four independent variables had a significant impact. It was strengthened using digital culture, training, data integration, and technology adoption. The digital platform has evolved rapidly in the last few years, and all businesses in every industry are using it to augment production and efficiency and simplify operations. Of all industries, the accounting industry tries to make accounting systems more efficient with technology. This project created a digital transformation framework (DTFASE) using design science research to improve accounting systems' efficiency and streamline the procedure. Evaluation and reporting, operationalization and monitoring, integration and implementation, assessment and planning, and continuous improvement are its five primary stages. This paradigm helps businesses improve the overall efficacy of their accounting systems through a methodical process of account transformation.

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