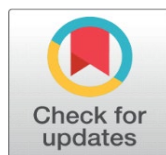
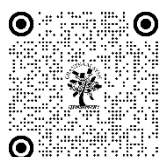


THE ROLE OF MODERN ACCOUNTING PRACTICES IN DRIVING ECONOMIC GROWTH IN INDIA

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ABSTRACT

The aim of this study is to understand how modern accounting practices help drive economic development in India, through its consideration of four sectors identified as critical, namely, Manufacturing, Services, Agriculture, and Trade & Retail, and the contributions were visible through financial performance and broader economic indicators. By using a descriptive research approach and a sample of 200 finance professionals, accountants and business owners, Findings showed a positive association among the use of modern accounting predominately through user-product interfaces such as ERP systems, cloud systems, automated bookkeeping and accounting, and the amount of % contribution to GDP by each sector, as well as tax compliance, and the ability to attract various types of financial flows i.e., equity, treasury, or private investments. The sectoral use of modern accounting and the level of contribution to the economy, showed us that the Services sector records the highest adoption of accounting (88%) has the highest total contribution to the economy (48%), even though MSMEs and startups that adopted modern accounting methodologies reported improvements in their ability to file taxes in a timely manner and be audit-ready, obtain credit and equity and secure short and long-term investment. They stated that their adoption of modern accounting practices improved their reporting capabilities and decision-making confidence. Stakeholder perspectives were also consistent with the results focused on improving accounting and legal transparency, improved decision-making and rebuilding investor confidence. Therefore, the transferable findings presented in this research have suggested that modern accounting practices are not just simply technical updates and upgrades but potentially, a strategic enabler of sustained and inclusive economic development in India.

Keywords: Modern Accounting Practices, Economic Growth, India, Tax Compliance, Digital Transformation, Financial Transparency, Investor Confidence

1. INTRODUCTION

The accounting landscape is evolving to embrace its role as a catalyst of economic growth and business development in the current economic climate. Many contemporary accounting practices can be characterized by what some refer to as organizational accounting (Fukuyama, 1995) and can be distinguished from conventional accounting based on key features: (1) digital transformation, (2) data with real-time financial data, (3) compliance with governing laws, and (4) integration with information systems support. Today, it is easy to say that a financial professional or firm providing such insights must embody transparency and promote an efficient allocation of resources through informed choices for a sustainable contribution to the economy. Considering that India continues to transition into a digital economy, growing firms that assist operating businesses to implement sophisticated accounting practices such as cloud-based systems, automated accounting, or integrated enterprise resource planning (ERP), will become increasingly core to the business' operations. Whereas these organizations use technology to be more efficient, the aggregate development of accounting practices will likely support broader macroeconomic improvements such as improved tax compliance, increased investment flows, and greater ease of doing business.

India's economy is highly varied, spanning manufacturing, services, agriculture, and trade, which presents both opportunities and challenges for new accounting practice. Micro, Small, and Medium Enterprises (MSMEs) and other businesses that are a vital part of India's economic structure, typically find themselves adopting modern accounting practices, and technologies, and modern training for workers and management practices difficult. It is the costs involved and the awareness, or lack thereof, of modern accounting practices and technologies and limited skills of educated workers that frequently poses challenges for the MSMEs. Fortunately, government policies such as the Goods and Services Tax (GST) regime that has changed the accounting of business finances, or compulsory digitization of business accounts or encouraging and incentivizing companies to account for 'financial transparency', are overall moving India and Indian businesses and accountants into the future of accounting. This research project is focused on how changing accounting practices will/impact India in terms of key economic indicators, such as its performance, contribution to Gross Domestic Product (GDP), tax revenue generation, business viability sustainability, and the development of India's economy. Our research will include the opinions and voices of the parties directly involved in the accounting process, e.g., accountants, finance professionals, business owners, etc. to provide a first-person empirical study of the transformational role accounting can play in India's growth story.

2. LITERATURE REVIEW

Bandyopadhyay and Rej (2021) carried out a comprehensive assessment of nuclear energy in promoting environmentally sustainable economic growth in India. Revisiting the Environmental Kuznets Curve (EKC) hypothesis, they asked whether nuclear energy could contribute to decoupling the conventionally positive relationship between economic growth and environmental degradation. Their research suggested that greater reliance on nuclear could reduce levels of pollution while continuing economic growth, and therefore allow for 'cleaner' growth. This research indicated a possible role for nuclear energy in India's sustainable development and stressed the importance of policy frameworks that recognize clean energy sources in economic planning.

Chatterjee (2022) researched into the journey of human resource management (HRM) practices in India with particular attention towards the strategic evolution of these practices at the tertiary education level. The study outlined how the transformation from traditional HRM methodologies has highlighted evolving strategic human resource management in increasing organizational effectiveness. Chatterjee argued that it is crucial for institutions to align their HRM strategies with wider economic development aspects so as to facilitate and improve competitiveness and innovation in India. The research pointed out that skilled human capital is the major resource in sustaining economic growth within changing projects undertaken for national interests in meeting the expectations of a growth economy.

Erokhin et al. (2019) investigated the use of changes in management accounting practices as a sustainable economic development strategy in times of instability in Russia, in a pre-recession and recession context. In their study, the authors showed that organizations implementing modern management accounting practices will be more able to adapt to financial uncertainty, stabilize operations, and support overall economic resilience. The authors illustrated that such accounting implementations detailed and mapped not only benefits for the ability for the firm to be financially healthy, but also wider macroeconomic stability, indicating that adaptive accounting practices are crucial for mitigating economic disruption effects.

Jie et al. (2023) explored the intricate links between sustainable energy policy, socio-economic development, and ecological footprints, with an emphasis on the economic importance of natural resources, population increase, and industrial development. Their research showed that effective policy integration could bring economic growth with environmental protection within an appropriate balance by encouraging the use of natural resources in a sustainable manner. The empirical evidence provided in the study indicated that sustainable energy initiatives enhance socio-economic benefits, while managing ecological footprint/consequences, hence contributing to the two aspects of development and sustainability.

Joshua and Bekun (2020) conducted a detailed study on the environmental sustainability pathway in South Africa, evaluating the effect of coal consumption, economic growth, emissions of pollutants, and natural resource rents on the environment. They illustrated the complex and often contradictory relationship between rapid economic growth and environmental deterioration. They established that economic growth has fueled (promote) development but also led to increased pollutant emissions that pose the threat of sustainability challenges. It was noted that there is an urgent need

for resource management policies effective in harmonizing economic goals with environmental stewardship in order to achieve long-term sustainable development.

3. RESEARCH METHODOLOGY

This study utilizes a descriptive research design approach and employed a stratified random sampling with 200 respondents across relevant economic segments. The data collected from the structured surveys and secondary data was analyzed to produce descriptive findings and correlations. The data was valid and reliable, having being subject to a validation review by an expert in the field (BH), as well as a pilot testing of 10 respondents.

3.1. RESEARCH DESIGN

This study utilizes a descriptive research design with the intention to explore the contribution or role of contemporary accounting practices from diverse economic sectors in India. The study seeks to describe and explain what is seen as the current practices in accounting adoption as well as what is demonstrated in the economic indicators of GDP contribution, tax compliance, investment and economic growth. This information includes both quantitative and qualitative data.

3.2. SAMPLING TECHNIQUE AND SAMPLE SIZE

The study uses a stratified random sampling approach to obtain representation from the main stakeholder groups engaged in accounting practice. The sample involved 200 respondents consisting of chartered accountants, chief financial officers, finance professionals, owners of small businesses, operators of MSMEs from a range of sectors including manufacturing, services, agriculture and trade and retail. This allowed for data to be collected from a broad spectrum of varying perspectives relevant to the research aims.

3.3. DATA COLLECTION METHODS

Data was collected with a structured survey consisting of both closed and Likert-scale questions intending to collect quantitative data on accounting practice adoption, financial performance indicators, and other perceptions of respondents. For some questions in this study secondary data was gathered from government reports, industry reports, and economic databases to support or validate primary findings, particularly regarding GDP contribution and trends in tax collections.

3.4. DATA ANALYSIS TECHNIQUES

The collected data was analyzed descriptively in order to summarize percentage adoption rates and financial indicators and respondents' perceptions. Comparative tables and graphical presentation (bar charts and pie charts) were used for easier reading and interpretation. Correlation analyses were conducted to look for associations between adoption of accounting practices and economic growth factors. Qualitative answers were analyzed thematically to help explain attitudes towards modern accounting technologies.

4. DATA ANALYSIS AND INTERPRETATION

Table 1 presents a comparative outlook of four major sectors of the Indian economy (Manufacturing, Services (including Finance), Agriculture, and Trade & Retail). The table indicates each sector's contribution to GDP, the proportion of firms or businesses in the sector that used modern accounting, and the sector's estimated contribution to capital and or overall economic growth. The Services sector had the highest GDP contribution (53.9% of the overall GDP), and the highest rate of modern accounting adoption (88%) relative to the other sectors. Manufacturing follows closely behind in both statistics so we see similar findings for both systems. Figure 1 presents the same data - there is a bar graph for each of the three key indicators (GDP share, accounting adoption rate, and contribution to economic growth) - presented by sector with the three indicators side-by-side for easy comparison.

Table 1: Sector-wise GDP Contribution vs. Use of Modern Accounting

Sector	GDP Contribution (%)	Use of Modern Accounting (%)	Contribution to Economic Growth (%)
Manufacturing	17.8%	82%	22%
Services (incl. Finance)	53.9%	88%	48%
Agriculture	18.3%	26%	10%
Trade & Retail	9.4%	66%	20%

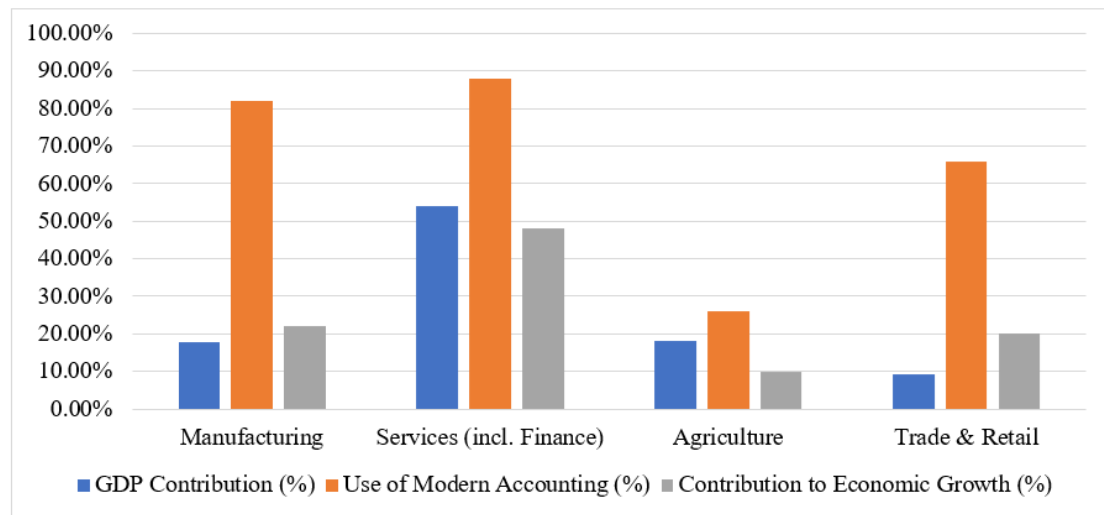


Figure 1: Graphical Representation of Sector-wise GDP Contribution vs. Use of Modern Accounting

The evidence seems to conclusively show that the use of modern-day accounting practices has a strong, positive correlation to sector contribution to economic growth. The Services sector reports the highest adoption of a modern (88%) accounting use, and leads the way in economic growth with a near half, 48% contribution. Manufacturing, with 82% accounting adoption, follows in the leader board with a 22% contribution. Agriculture reports an 18.3% contribution to GDP, although shows the lowest adoption of modern-day accounting (26%) and contributes only 10% to economic growth. This suggests a correlation between sectors that employ modern financial systems to enhance productivity, transparency, and scalability against productivity related to economic growth.

Table 2 describes the key financial performance metrics (in % of businesses) of MSMEs and startups developers prior to and following the use of modern accounting practices in terms of having businesses filing taxes on time, having businesses using formal access to loans and credit and being prepared for audits, as well as the amount of investment secured (in ₹ lakhs). The table indicates positive improvements across the metrics post-adoption. Figure 2 provides the visual representation of change that typically uses side-by-side bar charts showing the improvement in each of the financial performance metrics after modern accounting adoption.

Table 2: MSME & Startup Impact: Before vs. After Adoption

Financial Indicator	Before (%)	After (%)
Timely Tax Filing	55%	89%
Access to Credit (Formal Channels)	36%	72%
Audit Preparedness	48%	85%
Investment Secured (₹ in Lakhs Avg)	₹32	₹87

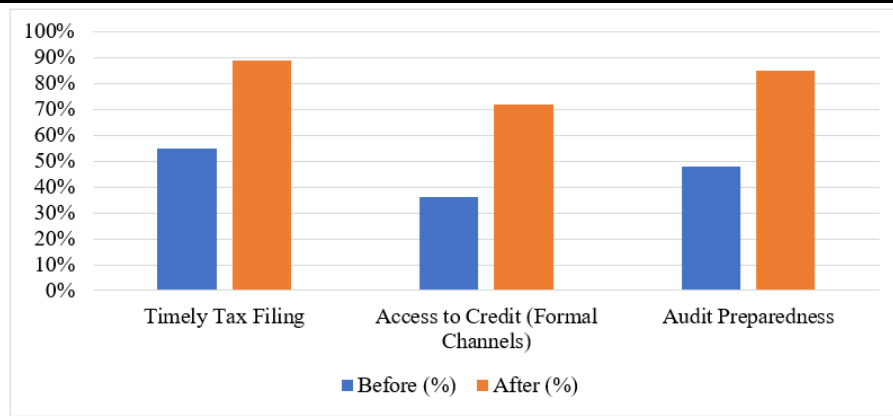


Figure 2: Graphical Representation of MSME & Startup Impact: Before vs. After Adoption

The evidence allows us to conclude that modern accounting methods positively impact MSMEs and startups in many key areas of financial management and growth. For example, compliance with timely tax filing increased from 55% to 89%. Additionally, there was a doubling of access to formal credit, from 36% to 72%. This indicates a greater level of credibility with financial institutions. Preparedness to be audited also significantly improved, from 48%, to 85%. Finally, average investment secured tripled from ₹32 lakh to ₹87 lakh. The positive aspect of modern accounting can be further illustrated by the level of engagement for MSMEs and startups looking to attract investment. Overall, these factors suggest that the adoption of advanced accounting systems is an essential ingredient for improving financial conditions for MSMEs and startups, and accelerating their impact on the economy.

Table 3 presents the opinions of 200 respondents, which include accounting professionals, accountants, and business owners, regarding the financially economic effect of contemporary accounting practice. The table includes the relative percentage of respondents who either agree or disagree with four statements they believed described our current views on the benefits and future of accounting technology. Figure 3 also represents these views, more than likely in a stacked bar or pie chart, showing the level of agreement or disagreement respondents had with each statement.

Table 3: Respondents' Views on Accounting's Economic Role

Statement	Agree (%)	Disagree (%)
Modern accounting has improved business decision-making	88%	12%
It reduces errors and increases transparency	91%	9%
Automation and AI will eventually replace traditional book-keeping	61%	39%
Improved accounting helped attract investors and boost valuation	76%	24%

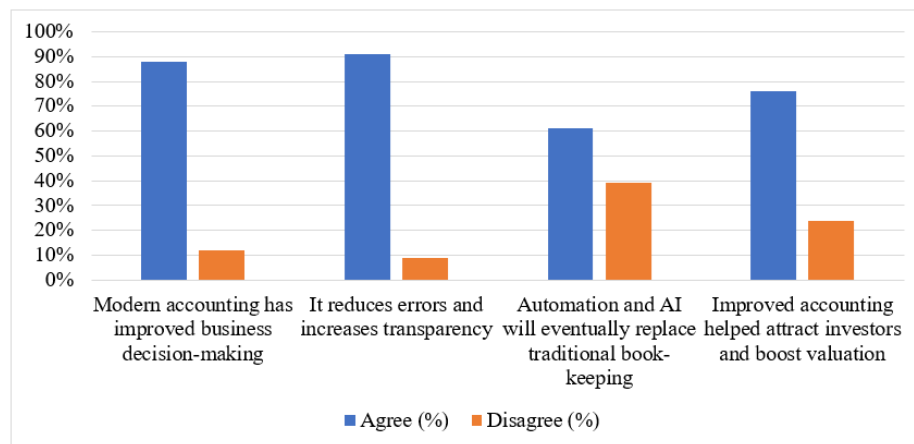


Figure 3: Graphical Representation of Respondents' Views on Accounting's Economic Role

The responses demonstrate a strong overall confidence in the positive effect of modern accounting on economic benefits. A large majority (88%) agree that the use of modern accounting has improved business decisions, and a much higher number (91%) agree that modern approaches to accounting can reduce errors and improve transparency, both of which are important aspects of being financially reliable. Despite 61% of respondents stating they believe use of automation and AI will completely replace a traditional bookkeeper, a significant minority (39%) disagree, indicating there is still apprehension for adoption of technology. Furthermore, 76% of respondents agree that improved accounting practices have assisted in securing investors, and in increasing the overall valuation of their firms which are both connected to transparent and correct financial reporting, and which boost investor confidence. All things considered, these results substantiate the belief that modern accounting is a key mechanism for economic growth and business development in India.

5. CONCLUSION

The results from this study also illustrate the importance of modern accounting practices as a trusted vehicle for promoting economic growth of all types in India. The extremely high correlations between sectors which have higher adoption rates compared to other sectors also have a larger share of GDP, and better financial success or performance than other sectors, suggests that modern accounting practices, including the use of digital technologies, can help to promote transparency, law abiding behaviour, and less risk for investors across all sectors, and to improve the positive development of MSMEs or start-ups by supporting the accounting for: a) a larger share of tax compliance, b) better access to credit, c) audit readiness, and d) investor inflow in capital investments matters, which comes with a host of economic benefits for modern accounting systems in India. Furthermore, there is a strong consensus amongst stakeholders in all sectors that modern accounting support better decision-making, a lower incidence of errors, and a better chance of long-term sustainability. Modern accounting represents more than a financial decision and is critical to India becoming a globally inclusive and sustainable economy, not only for the future development of accounting, but for the world as well.

CONFLICT OF INTERESTS

None.

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