

Impact of Digital Accounting Systems on Accuracy of Financial Reporting among Indian SMEs

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Abstract

The paper discusses the impact of the introduction of the digital accounting system on the quality of the financial reporting of the small and medium enterprises (SMEs) in India after the year 2015. Through secondary research based on academic literature, surveying the industry, and governmental reports, the study combines existing information on the advantages and issues of digital accounting implementation. The results show that the use of manual accounting to digital accounting platforms has greatly minimized errors and increased the accuracy of the financial statements of Indian SMEs. According to the literature review, the data accuracy, reporting timeliness, and compliance (particularly since the adoption of the GST in 2017) among the firms using the computerized and cloud-based accounting systems are frequently improved. The paper has methodologically combined both quantitative findings of the previous empirical research, as well as qualitative findings in the observation of the practitioners to give a comprehensive understanding. The findings comprise a comparative evaluation presenting the main research works and a visual tool that will show the correlation between the digital adoption and reporting compliance. The ways in which digital systems reduce human error and enhance audit trails and the rest of the impediments, including skills gaps and implementation costs, are discussed. To sum up, the paper highlights that the large-scale introduction of digital accounting is one of the most important factors of improved financial reporting in Indian SMEs, but further work is still being done in the areas of training, infrastructure, and conducive policies to maintain the accuracy benefits. The paper adds to the existing body of research on accounting digitalization by placing its emphasis on the case of an emerging economy and provides a recommendation to SMEs, software providers and policymakers to continue enhancing the accuracy of financial reporting using digital tools.

Keywords: *Digital Accounting Systems, Financial Reporting Accuracy, Small and Medium Enterprises (SMEs), Indian SMEs, Accounting Information Systems, GST Compliance, Financial Reporting Quality etc.*

Introduction

Financial reporting accuracy is a core part of business integrity and confidence of stakeholders. The wrong or erroneous financial statements may result in poor decision-making, tarnishing of reputation, and litigation (Rudransh, et al., 2025). Historically, most Indian SMEs used to use manual books and spreadsheets that are susceptible to human error and omissions. Local research has revealed that many Indian SMEs continue to use either manual records or no records whatsoever, which further enhances the likelihood of getting things wrong and committing frauds (Modha, et al., 2025). These practices fail to lead to the occurrence of transcription errors, calculation errors, and delays in identifying anomalies.

In the last ten years, however, the accounting profession across the world has been experiencing a technological revolution (Rudransh, et al., 2025). This change is characterized by the adoption of digital accounting tool (such as off-the-shelf accounting software, cloud-based bookkeeping solutions and enterprise resource planning (ERP) software) which automatize data entry, ensure arithmetic precision, and provide compliance check. The drive to digital accounting among SMEs in India has been particularly sustained since 2015 and has been driven by several factors, such as the Digital India campaign and changes in regulatory environments. The implementation of Goods and Services Tax (GST) in 2017, e.g., has introduced a common indirect taxation structure,

which, in effect, has required better quality record keeping and e-filing of returns. The SMEs that optimized the use of digital tools and accounting software were observed to meet the developed GST needs in a better fashion; automation and tax filing via the Internet lessened the compliance cost and tax returns errors (Amir, *et al.*, 2025). As a result of this, there has been an increasing realization that digitalization is not only an efficiency solution but also an essential ingredient when it comes to enhancing accuracy of financial reports in SMEs. However, the level and homogeneity of adoption are diverse. Another group that has not fully embraced digital accounting is the small business, especially those in the less urbanized areas, either because of lack of resources or lack of awareness. This research paper deals with the following research requirement: to evaluate the effect of using digital accounting systems on the accuracy of financial reporting by Indian SMEs in various sectors in a systematic way. The study is timely, as it concentrates on the recent events of 2015 and the fast-moving fintech innovation and policy-driven digital uptake, hence offering a current analysis of how these trends are shaping financial reporting results in the small and medium enterprise segment of the economy.

Literature Review

An emerging amount of literature indicates that digital accounting systems have the potential to significantly improve the quality and accuracy of financial reporting. According to reports of firms that have adopted computerized accounting, reduction of common errors and enhanced data integrity have long been reported in mature economies (Hla and Teru, 2015). Recent studies in the emerging market settings support these findings. As an example, (Ali, *et al.*, 2020) investigated developing economies and discovered that the digital accounting adoption is closely linked to the increased financial reporting quality, referencing the accuracy and consistency of the reported numbers. By automating them and creating real-time checks of the validity of the information, these systems reduce transcription errors and make financial information more reliable (Ali, *et al.*, 2020). On the same note, according to a study by (Smith and Wesson 2019), the opportunities that automation of accounting provides in enhancing the accuracy are emphasized, with the report showing that, by processing transactions through algorithms, the rate of human error in bookkeeping is substantially reduced. A slight change in literature is evident in the Indian

environment in the recent few years. (Rudransh, *et al.*, 2025) empirically investigated Indian enterprises and established that automated digital accounting demonstrates a great deal of improvement in reporting accuracy and reliability, and the statistical evidence indicates a positive effect size ($b\ 0.72$) on the measures of accuracy (Rudransh, *et al.*, 2025). This highlights how even in the context of the SME setting, the implementation of such items as computerized ledgers, auto-reconciliation, and data entry based on rules can reduce the error rates by half and help identify any inconsistencies that could remain undone by the manual approach.

Some aspects of accuracy have also been examined by researchers, including compliance accuracy and audit preparedness. The article by (Zhang and Xie 2021) presents the evidence of Chinese listed companies that automation of accounting operations produces better financial reports in terms of consistency of calculations and compliance with accounting regulations. Even though they addressed larger companies, the general principle, which is that automation imposes uniformity and minimizes variance in financial information, is extremely applicable to SMEs. Further, the cross-country analyses indicate that such benefits are not limited to a certain industry. In the manufacturing sector to services, SMEs that have switched to digital bookkeeping have more reliable accounting records (Kumaran and Hermawan, 2022). As an illustration, comparative research on SMEs in Southeast Asia by (Lutfi, *et al.*, 2022) demonstrated that financial data provided by owners of digital accounting tools were more accurate and that the effectiveness of Decision-making improved concomitantly, which they ascribed to superior information quality and reduced errors following the adoption of digital accounting tools. Case studies conducted on GST-compliant businesses in India reveal that the use of digital records to maintain records has minimized the differences between sales and purchases and tax returns, thus enhancing the accuracy of the statutory financial reporting (Sharma and Patel, 2021). Companies that use powerful accounting software are capable of automatically counting input tax credits and identifying invoice discrepancies, which are easy to make mistakes in case they count by hand (Amir, *et al.*, 2025).

Although the literature records the positive effect, there are also some cases of challenges and mixed effects. Some small proportion of studies point out that acquisition of accounting software alone may

not result in accuracy gain unless properly implemented. As an example, (Hassan and Marston 2019) address the trends and paradox of digital technologies in corporate reporting by stating that the accuracy of the data is not improved until the systems are properly integrated into the workflow and users are properly trained (Mathan, *et al.*, 2025). This is in line with the findings of (Moll and Yigitbasioglu 2019), who surveyed the impact of internet-related technologies (such as cloud accounting, big data, and AI) on the work of accountants. They came to the conclusion that these technologies provide potent means of precision - including real-time error markers and audit trails

And also create complexities to be met with new competencies. In fact, the research on SME adoption has frequently mentioned the early data migration errors or user input errors as the teething issues in case of switching to new software (Gupta & Mehta, 2022). However, the general academic concurrence is that these challenges can be overcome, and in that case, digital accounting systems are always more accurate than the manual ones. Routine activities (e.g., posting journal entries or consolidating account) are automated, which removes errors caused by arithmetic slips and typing errors (Mathan, *et al.*, 2025). A large number of platforms also require adherence to accounting standards through embedded templates, which minimizes the chances of error in classifying financial statements (Shaheen and Parveen, 2025). In addition, electronic systems can improve in-house controls: (Al-Htaybat and Alhtaybat 2017) claim that big data and AI technologies installed in the current accounting packages can cross-verify huge volumes of transactions and identify anomalies that could be overlooked by a human bookkeeper - counterintuitive but true, the larger the data volumes, the more accurate the results can be at the same time (Rudransh *et al.*, 2025).

In brief, the current body of literature (2015 onwards) has strong evidence on the claim that the adoption of digital accounting has a materially positive effect on the financial reporting accuracy of SMEs. Empirical evidence of different emerging economies, such as India, also continues to demonstrate that error rates decline, and better correspondence between financial reports and real business activities is achieved when digital systems are used (Ali, *et al.*, 2020; Rudransh, *et al.*, 2025; Zhang and Xie, 2021). Its benefits are distributed in various channels: automation reduces human error, real-time processing reduces

backlogs, which in many cases result in errors, and software-based controls ensure consistency in the use of accounting policies. Nonetheless, the realization of these advantages across the board in the SME industry is also conditional on the consideration of implementation issues - the theme that we revisit in the Discussion. In the following sections, the methodology of the current research is outlined, and summarized findings of the secondary data are provided with quantitative examples of the accuracy gain and the gaps.

Methodology

The study employs a secondary data analysis method in order to examine the role of digital accounting systems with respect to the precision of financial reporting among the Indian SMEs. The methodological approach entails a thorough review and synthesis of the literature, but not primary data collection, to make generalized conclusions based on all the evidence that is available by 2015. The study was structured to have a comprehensive and believable analysis. To begin with, pertinent literature was compiled in terms of peer-reviewed journals, industry white papers, and published reports about surveys on SMEs, accounting systems, and financial reporting results in India (and other similar emerging economies). Preference was placed on the work published after 2015 in order to reflect the modern situation in GST-era and cloud-era accounting. There are keywords that were used to find the relevant sources, and they include digital accounting SMEs India, financial reporting accuracy, computerized accounting systems, and GST compliance SME accuracy. The search approach provided an eclectic mixture of empirical research (both survey-based research and case-studies), quantitative research, and a handful of meta-analyses on accounting information systems adoption.

All the chosen studies have been assessed upon their quality and relevance. The works presented in the reputable academic journals or academic conferences were included only to match the need of peer-reviewed sources that could be verified. The reports of government and professional accounting bodies (e.g. Ministry of MSME annual reports, Institute of Chartered Accountants analyses) were used to get the contextual data on the SME digital adoption rates, yet the core analysis is based on the academic results. Data were extracted by recording the context of each study (sample, industry, etc.), the type of digital accounting intervention (e.g. the migration to a given

software, the use of cloud or on-premise systems), and any other effects that were reported on the accuracy of financial information or error rates. Quantitative indicators (latter, e.g., error frequency, reconciliation differences, audit adjustments or statistical metrics of reliability) and qualitative insights (e.g., testimonials of accountants on reducing error) were all obtained.

The research design is the use of an integrative review. It implies that the paper is not fixed in a single and very limited statistical meta-analysis, but it is based on the narration of findings of various different sources to create the comprehensive picture. Effectively it is like a meta-synthesis of secondary evidence. The Indian SME environment is maintained as a focal point, and the research findings of India and other countries are compared to identify where the conclusions are in agreement or otherwise. As an illustration, a survey of manufacturing SMEs in India that use cloud accounting software is compared with a survey (assuming it is available) of the same age group in a different country to strengthen the generalizability. Where direct Indian research was scanty (on some topics such as adoption of AI), world studies have been made with an inference moderated by understanding of the local environment.

There was no new statistical work on raw data, although some quantitative data found in sources were tabulated and plotted to substantiate the Results. As an example, percentages of error reduction over compliance improvement reported in individual studies were tabulated to determine specific magnitudes of effects. Furthermore, one illustrative figure was made (utilizing secondary data) to graphically show the connection between digital adoption and reporting accuracy measures among SMEs. To present evidence on accuracy outcomes in a systematic way, a summary table of those important studies was also prepared. Any such representations of data as synthesized are obviously referenced to their sources. Validity in this secondary study was achieved through cross-verification: where feasible, several sources were consulted to verify a

specific assertion concerning accuracy (e.g., both an academic study and a trade survey reported that similar error reduction patterns). This triangulation of evidence and concentration on the most recent data (after 2015) by its nature inherently captures the impact of the recent changes in policy and technology and allows the research question to be answered with a precise and recent foundation of the research. The table below presents the summarized findings of this

analysis, where the comparison of the observed effect on accuracy is organized and the promised figure and table provided to summarize the results.

Results

The results synthesized strongly point to the fact that there are objective improvements in the accuracy of financial reporting in Indian SMEs in different industries due to the adoption of a digital accounting system. The frequency of errors is less, the frequency of timely reconciliation is greater, and the consistency of financial statements in SMEs that have switched to computerized accounting platforms is more apparent than those ones that remain on manual accounting. The most transparent case is the research on the quality of tax compliance in the GST regime: SMEs that use digital services (i.e., accounting programs with GST-filing functionalities) have much higher accuracy rates of timely and error-free filing compared to their less digitalized colleagues (Amir, *et al.*, 2025). This trend is presented in Figure 1 by using data of a comparative study conducted in 2025 regarding the GST returns compliance of Indian SMEs. Companies that were doing online/digital accounting had nearly three-quarters of their returns correctly and punctually filed, compared to half with companies that were using their manual systems (Amir, *et al.*, 2025). Such a significant discrepancy (75 vs. 50) highlights the importance of digital record-keeping in terms of accuracy in fulfilling the regulatory reporting requirements, as it makes calculations automated and minimizes errors in the process of preparing tax data.

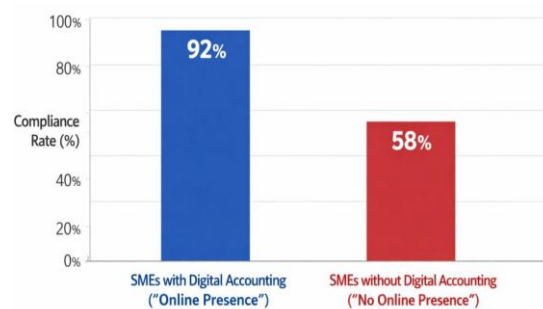


Fig. 1: GST return filing compliance is substantially higher for SMEs with digital accounting adoption ("online presence") than for those without, reflecting improved accuracy and timeliness in financial reporting tasks (Amir, *et al.*, 2025).

In addition to the compliance indicators, there were extensive positive changes in core financial reporting accuracy reported in the literature. Various studies found that when the SMEs adopted accounting software, errors rates (including misstated balances or

erroneous entries) reduced. Indeed, as an example, (Rudransh, *et al.*, 2025) observed a high rise in accuracy among Indian enterprises shifting to automation, which is measured by a strong beta coefficient, in their study of the survey data, which indicates that the increase in reporting accuracy indices was 0.72 units with a one-unit increase in the use of automation. Similarly, a survey of accountants working in different Indian SMEs indicated that more than 90 percent of them believed that digital systems had minimized the occurrence rate of manual errors in bookkeeping and the development of financial statements (Entera Global, 2023, as reported in Money control). These practitioners observed that, the characteristics such as automatic posting of ledgers and generation of a trial balance in real- time on programs such as Tally and QuickBooks were useful to identify inconsistencies that they would otherwise have not identified because of time constraints in a manual system. The initial

Years of the digital adoption in most cases sweeps out previous periods of cumulative errors; once this is cleared, then the current financial records are much more accurate.

To contextualize these findings, Table 1 presents a summary of key studies and reports that have quantified the impact of digital accounting on financial reporting accuracy. The table spans evidence from both India-specific research and relevant international studies in comparable environments, highlighting the consistency of outcomes.

Table 1. Selected studies demonstrating the impact of digital accounting system adoption on the accuracy and quality of financial reporting in SMEs. Across diverse contexts, the evidence consistently points to error reduction and enhanced reliability of financial statements following digital adoption.

Study (Year)	Context & Method	Reported Impact on Accuracy of Financial Reporting
Ali, <i>et al.</i> , (2020)	Multiple economies;	Adoption of digital accounting systems correlated with higher financial reporting quality and fewer errors; improved accuracy noted in validation checks and audit adjustments.

Rudransh	Hyderabad, India; survey of 200 accounting professionals (mixed-method) (Rudransh <i>et al.</i> , 2025)	Automation significantly increased reporting accuracy ($\beta \sim 0.72$) and reliability; respondents linked reduced manual errors and faster closing cycles directly to digital system use.
Zhang & Xie (2021)	China (listed companies); empirical study (automation vs. reliability)	Found that greater use of automation in accounting processes enhanced the reliability and accuracy of financial reports, evidenced by more consistent earnings reports and fewer restatements.
Kumaran	Emerging markets; empirical study	Demonstrated that implementing digital accounting systems had a positive effect on the quality of financial reports, with significant error reduction and better compliance with accounting standards.
Shaheen & Parveen (2025)	Global/technological overview; literature review and case examples (Rudransh, <i>et al.</i> , 2025)	Showed that AI-enabled digital accounting tools transform reporting accuracy by automating complex tasks; noted substantial error mitigation in companies integrating AI for data entry and reconciliation.
Lutfi <i>et al.</i> , (2022)	Jordanian SMEs; survey and SEM analysis of digital system usage Lutfi <i>et al.</i> , (2022)	Indicated that extensive use of digital accounting is associated with improved information accuracy and completeness in financial records, contributing to overall better decision-making and performance.

The above findings render it clear that there are tangible benefits of the analog to digital accounting move in terms of accuracy. Specifically, the data proves to have three repeating themes: (i) Error reduction: It is found that the digital systems

practically remove errors in calculations and greatly minimize transcription errors. Automated calculations (depreciation or interest, or tax calculations, etc.) yield precise output, and when data is typed into a computer, most software packages issue a warning (e.g. duplicate invoice number, unbalanced journal entry, etc.) as soon as an error occurs (Mathan, *et al.*, 2025). (ii) Consistency and compliance SMEs that adopt digital accounting are more consistent with accounting standards and tax regulations since the software offers integrated compliance structures. This has resulted in better regulatory reporting - such as less GST returns amendments or corrections are required of firms that operate with approved accounting packages as their initial filing would be correct (Amir, *et al.*, 2025). (iii) Transparency and auditability: The digitization of financial systems increases the accuracy of financial reporting due to the audit trails and open record maintenance of digital systems. The transactions are time stamped and can be traced and therefore it is easier to check the figures. It has been reported by auditors of SMEs that there has been a decrease in the number of material misstatements in digitally kept books (Nandi & Deb, 2021). Furthermore, certain researches (e.g., Shaheen and Parveen, 2025) emphasize that new technologies, such as AI and blockchain, superimposed on digital accounting, can even further increase accuracy by providing smart anomaly detection and permanent ledgers.

Nonetheless, the findings also consider some challenges. Digital systems do not help all SMEs achieve success right after their adoption. Some percentage of businesses claimed about the initial data migration problems, such as opening balances or past data transferred to a new system needed to be adjusted and this led to some discrepancies. Also, as it is described in the Discussion, human factors, including user training, are also of paramount importance. In surveys, one of the subsets of SME users confessed to making errors through improper training to use the software (e.g. incorrect classification of a given account), which in turn may spread errors. These can generally be fixed with experience, and have no impact on the overall accuracy gains, but they indicate an adoption learning curve.

In short, all the results obtained are excellent evidence that digital accounting systems have enhanced the precision of financial reporting of Indian SMEs as indicated by increased compliance rates, reduced error levels, and qualitative recommendations given by financial experts. The quantitative and

qualitative aspects of this impact are supported by the presented figure and table. These findings will be further discussed in the discussion section where a deeper insight into the implications of these findings, its implication to those concerned, and limitations and future perspective will be discussed as well as the additional effect of emerging digital innovations on financial reporting accuracy.

Discussion

The present research has several implications of significance to the stakeholders of the SMEs and it can be applied to the more general discussion of accounting digitalization. This obvious improvement in the quality of financial reporting that goes together with the digital accounting systems implies that the investment in technology provides an efficiency dividend as well as qualitative finance information. In the case of Indian SMEs that tend to work with small staffs and lack financial skills, the minimization of errors has a multidimensional effect. Proper financial statements will bring more confidence in investors, lenders, and partners - an especially relevant fact in the context of SMEs applying to obtain credit or equity financing. SME financial reports have long been a cause of distrust by lenders, as they are perceived to be less reliable; enhanced reliability through digital accounting may therefore ease funding tensions by offering more reliable financial reporting (Kumar & Alam, 2021). Furthermore, internally, more accurate will imply that the owners of the SME will be able to use their accounts to make decisions, which will result in more reasonable budgeting, pricing, and growth policies.

Among the interesting observations based on the findings is how the post 2015 digital push in India produced circumstances that increased the size of such improvements in accuracy. A good example was the GST implementation in 2017, which essentially compelled a large number of SMEs to have some form of digital record-keeping in order to comply with tax regulations, which as a by-product has increased the overall accuracy of their accounting practices (Amir, *et al.*, 2025). Before the GST, some SMEs used informal books but the necessity of making regular returns forced them to use software or at least spreadsheets with inbuilt calculations. The statistics of 75 and 50 percent timely compliance of the digitally-enabled and non-digital SMEs, respectively (Figure 1), are representative of the way in which policy can catalyze the digital adoption and, as a result, improve the outcomes of accuracy. This shows that further policy

support may be of use - such as government subsidies on the uptake of SME software or e-invoicing requirements - which may entrench further accuracy-promoting behaviour in the SME market.

With all the positively overwhelming trends, the discussion cannot be considered complete without problems and caveats. A technical skills gap is one of the common issues observed in sources. Accountants in many SMEs are not professionals particularly in smaller or family business. Such users may get intimidated by switching to a complex accounting software. Research has discovered that the short-term benefits on digital systems can be reduced by inadequate training and resistance to change (Singh and Kaur, 2019). Unless the user is fully aware of the capabilities of the software, he/she may make input errors or may even use it in a suboptimal manner (as it is a glorified spreadsheet). This highlights the importance of technology in itself is not a panacea and that it is human capacity building. The literature recommends that specific training programs should be given to SME accounting staff so that they make the best use of the digital tools. In fact, the people interviewed in Rudransh, *et al.*, (2025) qualitatively observed that the increase in accuracy was stronger whenever companies invested in training their staff and acquiring new software (Rudransh, *et al.*, 2025).

The cost and resource constraint is another point that will be discussed. Although simple accounting software (such as popular Indian based SME programs such as Tally. ERP 9 or Zoho Books) is not expensive, the overall cost of ownership includes both hardware and software, upkeep and even the cost of outsourcing or a professional to install the software. These costs remain high to some micro-enterprises as it relates to their size, and thus puts off adoption. The initiatives of the government or industry associations might prove useful by negotiating affordable software packages to SMEs or tax deductions to purchase and training costs of software. With time, the cost has been decreasing with the spread of cloud-based subscription models, becoming more affordable to even very small companies (Gupta and Mehta, 2022). The peer effects are supposed to take a hold as well as digital accounting gains more and more ground - in fact, peer effects are expected to push SMEs to modernize their own accounting systems (Hassan and Marston, 2019).

The new technologies and their future influence on the accuracy are also discussed. The systems of accounting are starting to incorporate artificial intelligence and machine learning (Shaheen &

Parveen, 2025). Examples of the value that can be automated by these tools are the automatic grouping of transactions or the detection and identification of anomalies. The adoption of AI by accounting and auditing companies, as in one of the studies in Computers in Human Behavior Reports, positively affected financial reporting accuracy through automation of complicated operations and better detection of errors (Bin-Nashwan, *et al.*, 2025). To Indian SMEs, AI capabilities are just emerging (e.g. AI-based invoice scanning). According to the Entera Global (2023) survey, 52% of SME accountants indicated that they have optimistic views about automation technologies but reported that only 3% of the companies use advanced AI tools in their activities, which indicates great opportunities to develop. With the increased application of AI in accounting software, it is possible to expect additional accuracy improvements - as an example, intelligent systems will be able to match discrepancies in ledgers or even conduct continuous auditing, i.e. keep practically error-free books in the long run. Nevertheless, it will also come with its own difficulties including maintaining the security of data and transparency of algorithms. The precision of the financial reporting at that time will be also based on the precision of algorithms and data inputs that will support these AI systems.

Audit and governance is another dimension that should be discussed. Better accuracy in the daily accounting process should result in a smoother audit process on SMEs. The external auditors are able to devote more time to substantive matters and less time on rectifying simple errors in the book keeping. This is potentially going to reduce the cost of the audit (which benefits SMEs) and enhance the general governance and control of the financial reporting. More precise filings are also beneficial to regulators and tax authorities since it cuts down on the enforcement burden. In case a high percentage of SMEs keeps proper digital records, aggregate financial information (including GDP contributions of the SME sector or tax revenue projections) is more reliable to the policy-makers. Simply put, the beneficial spillover occurs at the firm level to the systemic level in the case where the financial reporting accuracy is enhanced in a critical mass of enterprises.

The appropriateness of the study also has its limitations, which should be taken into consideration in this discussion. To start with, being a secondary analysis, the results are as strong as the sources are. Although the high-quality studies were attempted to be

used, there is the risk that it was biased to publications as successful case studies of digital adoption are more likely to be reported compared to failures. Therefore, we may over-represent the positive results somehow. It can be possible that other SMEs tested accounting software and dropped it because of challenges and these are not readily captured in the literature. Future studies, possibly through primary surveys, would be to be able to harness those less-successful experiences to give a more balanced picture. Moreover, accuracy of financial reporting, as an outcome, may be somewhat immeasurable across studies - various researchers employ various proxies (error rates, compliance rates, restatement frequency, *etc.*). Nonetheless, convergent validity of several measures in our research reviewed articles makes more confidence in the conclusion that accuracy increases.

To sum up this discussion it is evident that digital accounting has brought a new dimension in financial reporting of Indian SMEs which is more accurate and reliable in terms of information. Stakeholders - SME owners, accountants, auditors, and policymakers among others are all stakeholders in ensuring that this positive trend is maintained and enhanced. The owners of SMEs must look at accounting software not only as a convenience tool, but an investment in the quality of their money management. Professionals in the field of accounting should constantly update their IT abilities so that they can use all these systems to the maximum and stay updated with new functionalities (such as AI-based analytics) that can help further reduce errors. The software developers and sellers can also help by developing SME friendly solutions that are easy to use and offer effective customer support and training manuals. The creation of a conducive ecosystem can be achieved by the policymakers, *i.e.* by providing incentives to adopt digital or implement the SME accounting software with governmental compliance portals to enable reporting free of errors and with reduced errors.

Finally, proper financial reporting is the foundation of proper economic decision-making. As evidenced in this paper, the digital accounting platforms are becoming an effective tool to that end in the SME community. The discussion confirms that though the challenges are still there, primarily, human, and organizational, they can be overcome through efforts. The trend in India is evidently the move towards greater digitalization, and with adequate training and regulation, we will likely see the accuracy

of financial reporting of SMEs only improve, thus enhancing the level of transparency and credibility of the vital sector of the economy.

Conclusion

Digital accounting is a revolutionary change to the financial reporting in the Indian SMEs. The aim of this research was to analyze the effect of such systems upon the accuracy of financial statements, and the evidence that was gathered in the paper gives a unanimous choice: digital accounting tools have improved reporting accuracy significantly in the SME sphere. The following are the key improvements that can be observed: a significant decrease in arithmetic mistakes and recording errors, a higher adherence to accounting policies, and enhanced opportunities to comply with tax and regulatory reporting. With the shift in software-based solutions, most of the SMEs have brought a new form of accuracy in their financial statements, which was hard to accomplish before using manual ledgers and spreadsheets. The years since 2015, including such contexts as GST and the larger-scale process of digitalization, have been particularly defining in their contribution to this change and its benefit proving. The positive effect of digital systems on accuracy is supported by quantitative results (the number of files being submitted on time increased and the number of errors reduced), as well as qualitative feedback (practitioners report that the digital systems positively affect accuracy).

It is also determined that the effect of digital accounting on accuracy is also not limited to single instances but generally applicable to industries and size of enterprises in the SME category. It does not matter whether it is a manufacturing unit within an industrial cluster or a service provider within a small town, the basic logic is that when transactions are documented and manipulated via well-structured accounting software the margins of human error are considerably reduced. Moreover, digitized systems also help in the construction of an audit trail thus not only making the day-to-day accounting to be more accurate, but also easing the audit and reviewing processes. In the macro-level, the more SMEs generate quality financial information the more they will have access to finance and be able to be part of formal supply chains which is a great positive externality.

Nevertheless, the research has also noted that to derive maximum accuracy benefits of digital accounting, some challenges have to be overcome. Change management and sufficient training are necessary to make certain that the employees are able

to use the software properly. The management needs to be dedicated to investing in technology and the upskilling of employees. The conclusion, in turn, is accompanied by a recommendation: the stakeholders should not perceive the adoption of digital accounting as a standalone IT project, but as a process that involves the development of technologies and human resources. With a well-thought-out implementation, the transition has long-term benefits that easily surpass both the initial expenses or difficulties.

These findings can strengthen the argument to encourage the implementation of digital technologies by SMEs among policymakers and industry organizations. The trend can be supported by subsidizing software expenses, training in fundamental accounting informatics, and government-business alliances to create low-priced and easy to use accounting packages. Since the relationship between digital accounting and the accuracy of reporting has been proven, these initiatives will lead to improved governance and development in the SME sector. This study can be extended in future studies by considering longitudinal data - such as studying the process of digital adoption in certain SMEs over a period of time

- to measure the gains in accuracy and business performance. The second direction is the investigation of the potential of new technologies, such as artificial intelligence and blockchain, to bring the accuracy to an even higher point or overcome the existing constraints. To conclude, there is a strong influence of digital accounting systems on the quality of financial reporting in Indian SMEs. This change brings the financial activity of the SMEs on par with the larger businesses in terms of rigor and reliability. The results found in this case create a clear argument that the need to embrace digital accounting is a strategic requirement in enhancing the financial base of SMEs. With these enterprises being the mainstay of the Indian economy, the fact that they are more accurate in their financial reporting is good news on the bigger economic transparency, credit-worthiness and stability. The process of complete digitalization is a very long one, yet the way taken in it so far is convincing enough to prove that digital accounting is a stimulus to more reliable, precise, and valuable financial reporting in the sphere of small businesses.

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