

The Evolution of Accounting Information System: Benefits and Challenges for MSMEs

***Dr. Hanuman Sahai Kumawat**

Abstract

The Accounting Information System (AIS) helps decision-makers make fast, correct choices by integrating data from various areas of the firm. The relevance of AIS has grown in the modern digital age, when most commercial transactions are conducted online. In times of pandemics, when digital methods are the only way to keep the business running, AIS has played a significant role in gathering, storing, retrieving, and analysing the company's data. Quick reporting, data integration, and cheap cost are just a few of the ways in which AIS has recently become a tool for enhancing company efficiency. Significant technical advancements have been made in AIS throughout the last 20 years. Cloud accounting, data analysis, artificial intelligence, and mobile accounting are some of the new developments in digital accounting systems that are emerging today. Accurate financial data, quicker decision making, simple compliance with the law, strong cash flow, and unimpeded business activities are all benefits that any firms, no matter how big or little, may get by using digital accounting systems. Based on the available data, micro, small, and medium-sized enterprises (MSMEs) are steadily expanding their share of India's gross domestic product (GDP). India's exports are now accounted for by MSMEs at 48% and are expected to reach 60% in the near future.

Some MSMEs had to close their doors because of pandemics, but they are back up and running now. For micro, small, and medium-sized enterprises (MSMEs) to not only revive but also remain in business, they must now embrace digital transformation. Examining the current state of AIS as well as the possibilities and threats that micro, small, and medium-sized enterprises (MSMEs) confront while implementing digital solutions is the primary goal of this manuscript. Whether it's the conventional approach, the current trends in accounting software, or the old method, MSMEs will always have a hard time making a decision. According to the report, small and medium-sized enterprises (SMEs) still have a ways to go before they can fully embrace the new accounting standards since they are concerned about how to meet their daily needs in the meanwhile.

Keywords: Trends, AIS, MSMEs, Digital solution, Cloud accounting, Artificial intelligence, Automation, Block chain.

Introduction

According to FRANK PERDUE, "a company that doesn't change is a business that dies."

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Accounting information systems (here on AIS) have seen several technical advancements in this digital age as a result of the rapid changes in technology. AIS facilitates collaboration across many divisions within the organisation. Data storage and availability to decision-makers are both improved by this. In addition to that, it aids in the preparation of financial reports and guarantees the data's trustworthiness, security, and quality. With AIS, corporate operations can operate smoothly, and the data gathered may help pinpoint what the firm did incorrectly during the financial crisis. The WorldCom and Lehman Brothers instances are good examples of AIS in action. When AIS was first introduced, it was only used by very big enterprises with substantial resources. A growing number of companies, both big and small, are shifting their accounting and finance departments to use AIS. Many AIS trends have emerged as a result of the rapid expansion and acceptance of the technology. Aside from being an efficient instrument for data collection, storage, and integration, the accounting information system is also rather economical. Accounting, auditing, management accounting, tax, and reporting are just a few of the specific areas where AIS shines.

A system for accounting information

In India, MSMEs, or micro, small, and medium-sized enterprises, are the backbone of the economy, accounting for roughly 26.63% of the GDP from services and 6.11% of the GDP from manufacturing. Additionally, the country aims to increase its exports from their current 49.5% to 60%. Even though micro, small, and medium-sized enterprises (MSMEs) account for over 37% of India's GDP, the country still faces several concrete issues that have technological answers. As a result of the pandemic's devastating impact, several MSMEs have gone out of business. When a pandemic hits, digital tools are the only thing that can save enterprises that relied on human labour to stay afloat. In order to not just survive but thrive in the post-Covid era, MSMEs must immediately abandon their antiquated practices in favour of more contemporary ones. There have been significant shifts and expansions in the accounting solutions industry throughout the last 20 years. Every businessman, no matter how large or little, is now required by the implementation of GST to use digital accounting software in order to comply with regulatory rules. Accounting software has grown in popularity due to the expansion of industries such as retail, BFSI, IT, and telecom. There has been an uptick in the accounting software industry among MSMEs as a whole. Among the many benefits of using computers for bookkeeping rather than pencil and paper is the fact that most generalised accounting software includes tools for managing inventory, supply chains, human resource management, basic GST rules, invoice creation, and payment processing, among other things.

The leading accounting software provider in India for SMEs, along with rivals like Vyapar and Khatabook, is eyeing micro-businesses like Kirana shops and eateries as potential new customers and market entrants. To assist small and medium-sized enterprises (SMEs) adapt to new technology, the government is offering financial and other resources to enable them do so. This will allow them to overcome the challenges posed by the COVID-19 pandemic and position themselves for success in the developing Industry 4.0.

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2. Concepts and definition

AIS

A methodical approach to gathering, storing, and processing accounting and financial data for use by internal users in reporting to stakeholders is known as the accounting information system.

MSME

Micro, Small, and Medium Enterprises. Since October 2, 2006, MSME has been functioning in India. To be considered a micro, small, or medium-sized firm (MSME), a company's investment and yearly revenue must fall under the following categories:

3. Evolution of AIS

The payroll function, an essential and costly part of accounting information systems, first appeared in 1970. There were no accounting software programmes that could be found. These days, a lot of features for setup and customisation are offered in AIS software. Accounting systems now integrate the workflow of all departments and include functions such as inventory management, tax audits, supply chain management, fund accounting, billing and invoicing, budgeting and forecasting, and payroll, in addition to general accounting. Online accounting systems such as Quickbooks, Sage, Account Mate, CYMA, Intacct, and Redwing software are just a few examples. Among small and medium-sized enterprises (SMEs) in India, Tally ERP, Zoho Books, Marg, and Busy are the five most popular accounting software programmes.

4. Statement of the problem

It is now essential for every company to shift its accounting processes to digital platforms. Despite advancements in business and IT making work simpler, the majority of India's micro, small, and medium-sized enterprises (MSMEs) have not adopted any accounting software and are unaware of the latest trends. This article sheds light on the many possibilities and obstacles that micro, small, and medium-sized enterprises (MSMEs) have while trying to implement new accounting practices.

5. Objective

- To research how accounting information systems have developed over time.
- Assess the significance of micro, small, and medium-sized enterprises (MSMEs) in India.
- To assess how MSMEs might profit from emerging accounting solution trends.
- To understand the challenges that micro, small, and medium-sized enterprises (MSMEs) have while trying to adopt new trends
- To provide a plan for how new AIS trends may be successfully applied to MSME

6. Review of literature

1. The goal of this study work is to trace the development of AIS (AzharSusanto and Meiryani, 2019). At the turn of the twentieth century, the only purpose of computers was for EDP, or basic accounting

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applications. Accounting Information System was once known as Data Processing and then rebranded as EDP. Office automation, Artificial Intelligence, MIS, and DSS gradually become the centre of attention. The writers have covered many AIS models, including the following: ERP system model, REAREA model, Manual Process model, Flat file model, Database system model, and so on.

Accounting information systems boost organisational effectiveness, according to a 2019 study by MuhannadAkram Ahmad and Seif Obeid, which surveyed 350 SMEs' workers. To get there, knowledge management acts as a go-between for artificial intelligence and the efficiency of the organisation. An organization's performance may be favourably impacted by AIS when knowledge management is in place.

Thirdly, according to Amos Archer Ganyam and John Ayoorlvungu (2019), who reviewed a body of literature, several studies conducted in economically advanced nation Several Asian and European nations have found a correlation between AIS and company success.

According to MalekHamed, AbdalwaliLutfi, and colleagues (2021): Environmental variables, including mimetic pressure, coercive pressure, and normative pressure, have a beneficial effect on motivating SMEs to adopt computer-based AIS, according to this research paper's analysis and conclusions. Digital solutions are chosen by SMEs to prevent risk, comply with legislative standards, and counter the pressure from major enterprises who have embraced CBAIS.

According to CeslovasChristauskas and Regina Miseviciene (2012), the accounting system is not supporting companies as much as it might be because of its complexity. Changing accounting software landscape.

The benefits and hazards of cloud accounting for SMEs are not mutually exclusive. The businesses are unaware of the advantages of online technology and instead choose accounting software that is locally built. Businesses are hesitant to embrace new web technology innovations. Mogadam Salehi, Mandi, Vahab Rostami, and Abdulkarim (2010). According to the authors' findings, AIS may enhance financial statements and reporting. When it comes to satisfying the needs of the company, AIS is behind. The data it gives to decision-makers is insufficient.

This research work has sought to analyse the influence of AIS on a firm's performance (AzizeEsmeray, 2016). We find that the number of workers and the manager's degree of education determine the extent to which AIS is implemented.

In 2017, Drs. Yasmeen Ali and Upasana Taukur published: Out of 200 questionnaires issued for the research, 140 have been returned with responses. Cloud accounting saves money and makes data easily accessible, which is why few CAs have used it, according to the survey. There was also talk about how cloud accounting is becoming more well-known and how young professionals are more convenient. A lot of CAs haven't jumped on the cloud bandwagon yet because they're worried about keeping client information secret, they don't see the necessity, they don't understand how cloud accounting works, and the price tag is too high. Many have jumped on board due to the convenience

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and ease of usage in terms of automation and location.

8. Trends in accounting

Accounting in the cloud, also known as real-time accounting. Through the use of the internet, accounting software may access financial data from any location at any time via cloud accounting. Due to its reduced cost, cloud accounting has recently gained popularity. It opened the door for small and medium-sized enterprises (SMEs) to use accounting information systems, which were previously reserved for huge firms with deep pockets. The cloud is an integral part of any accounting program's architecture. Additionally, Tally Prime has been updated from Tally ERP 9.

Second, mobile accounting removes geographical barriers by letting accountants and managers access financial data from any mobile device, anywhere in the world.

AI – AI refers to technological systems that can learn and do tasks normally performed by humans. It attempts to comprehend many languages, act upon information, and make judgements similar to humans. According to the 2020 Global Tax Technology and Transformation Survey by EY, one of the big four auditing companies, AI has the potential to eliminate the need for highly skilled accountants to spend 40% to 70% of their time on data cleaning. The automation of operations made possible by the integration of AI with accounting software allows for the speedier implementation of business decisions. A nationwide AI programme covering nine domains, including healthcare, agriculture, education, and smart cities, has been launched by the Indian government. One step towards turning the COVID-19 pandemic into an opportunity is the implementation of AI and ML on the portal of the Ministry of MSME's single window system, "Champions" for MSME.

Data analysis—Accountants use data analysis to aid clients with strategic decision-making, investment tax risk identification and management, performance enhancement, and cash flow analysis.

Automation—Automation in accounting makes the tedious tasks of documenting and publishing much easier to handle. Accounting automation expedites the implementation of company decisions. Future accountants should have a solid grasp of automation, according to PWC, one of the big four auditing companies. Experts in finance and information technology foresee a future when all accounting processes are mechanised.

Blockchain technology, which eliminates the need to keep individual records of each transaction, keeps a shared ledger of all asset transfers along with connected accurate financial data. With this new technology, accountants can better understand who owns what, who is liable for what, how to implement internal controls, and how to advise clients on Blockchain-related regulatory matters.

Most company data and information stays outside the programme if it has a strict procedure and the next step cannot be done until the previous one is completed. It is not easy to make accounting systems that are both extremely basic and highly adaptable.

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Businessmen choose to revert to the identical procedure they are now using due to the complexity of software.

In cases when the corporation is bearing the expense of accountant training, computer literacy and software use expertise are essential.

A lot of small and medium-sized enterprises (SMEs) in India are being managed by elderly individuals who aren't very tech-savvy. They are worried about the privacy and integrity of software data.

When it comes to adopting new technology, the biggest obstacle for MSMEs is the cost. Affordable software or free edition Restricts the amount of freely storeable data.

Worry that I will learn too much or enter the data incorrectly—the accuracy of any automation relies on the data you input. Everything is for nothing if the incorrect data is input.

- Due to the lack of or very inadequate internet access in many areas, it is difficult for MSMEs to embrace new trends.
- Rural areas are home to around 20% of MSMEs. In the past, many rural-based MSMEs relied on more conventional methods of doing business rather than technology.
- Due to the inherent process changes that come with adopting new trends, many owners are reluctant to do so.
- Adoption of new trends is hindered by technical obstacles, such as software knowledge and inadequate internet access in rural and sometimes metropolitan areas.

Findings

A company's financial information system may boost efficiency by integrating all of its operations. Accounting involves working along with technology to maximise its advantages. Emerging technologies in accounting include blockchain, cloud computing, mobile apps, AI, and automation. Being an integral part of India When it comes to using new technologies to advance their firm, MSMEs move more slowly. Just over half of all small firms are using some kind of accounting software. Fourth, after the COVID-19 pandemic, many micro, small, and medium-sized enterprises (MSMEs) quickly began using accounting software, empowering themselves with digital information. The adoption of new trends in AIS opens up more prospects for MSMEs. Small and medium-sized enterprises (SMEs) have the ability to operate remotely, secure their data, keep their cash flow positive, and increase company efficiency.

Opportunities for firms producing accounting software to access small and micro-businesses are increasing as MSMEs expand, leading to additional demands linked to financial activity. In terms of knowledge, cost, design, internet connection, company confidence, and necessity, there are advantages and disadvantages to adopting new trends for both solution providers and MSMEs.

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