

Role of Modern Accounting in Economic Development of Emerging Economies

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Abstract

This research aims at identifying the role of modern accounting in building up strong economy in emerging economies, in this approach descriptive analytical approach was used to clarify the theoretical framework through some previous studies and hypothesis testing. The study tool was the questionnaire. The present study proved that the modern accounting contributes significantly to the economic development in the emerging economies based on accounting standards. They have been following the GAAP format to bring the globe into one system. The study recommended the importance of enhancing the role of accounting in economic development and addressing the difficulties and challenges in adoption of IFRS investigate the role that country-level institutional quality plays in the relationship.

Keywords: Modern Accounting, Accounting Standards, Accounting Practices

1. INTRODUCTION

The role of modern accounting in the economic development of emerging economies is paramount. As these economies continue to evolve and expand in a rapidly changing global landscape, the adoption and implementation of modern accounting practices have become indispensable. Modern accounting not only serves as a fundamental framework for financial management but also acts as a catalyst for various aspects of economic growth and stability.

Emerging economies are characterized by their transition from agrarian or resource-based economies to more diverse and industrialized ones. In this context, modern accounting plays a pivotal role in shaping the trajectory of these economies. This introduction explores the crucial contributions of modern accounting to the economic development of emerging economies, emphasizing its multifaceted impact on transparency, investment, resource allocation, risk management, and policy formulation.

As these nations aspire to attract foreign investments, stimulate domestic entrepreneurship, and foster sustainable economic growth, the role of modern accounting becomes increasingly evident. This essay will delve into the intricacies of how modern accounting practices underpin these development efforts, enabling emerging economies to overcome challenges, capitalize on opportunities, and establish a solid foundation for long-term prosperity.

1.2. THEORETICAL BACKGROUND OF THE STUDY

The study stems from the importance of the role of modern accounting in enhancing sustainable local economic development in India. Modern accountants provide services related to financial reporting, taxation, auditing, solvency assessment, accounting information systems, budgeting, cost management, planning, and decision-making by companies and individuals, as well as advice on compliance and effective provision of current and strategic management.

In the present study, an attempt has been made to explain the status of India in adopting the IFRS. The advantages, opportunities, and challenges would be faced by Indian companies in adopting the IFRS.

2. REVIEW OF LITERATURE

Bhawna Hinger (2019) In India adoption of IFRS is still in the process so it is hard to say that adoption of IFRS or convergence of accounting standards will be a great help for the corporate and the country as well. All the challenges and benefits associated with IFRS are based on perception as the implementation of IFRS in India is still in the process. It is not easy to properly study the impact of the adoption of IFRS before implementation.

Jafer MA roof ALSawalhaha, Mohammad Walid Hamdan (2020) The need to further reinforce the role of modern accounting in the sustainable economic development. The need of serious work to overcome difficulties and challenges face the professional application of accounting to reinforce sustainable local economic development. It needed to develop suitable practices to enhance the accounting professional development to strengthen sustainable local economic development.

Report by ACCA (2012) Given the correlation between sustainable business practices and long-term company success, ACCA would like to see an obligation on companies (via national regulations derived from a convention on corporate sustainability at the Rio summit) to integrate material sustainability issues within their report and accounts on a 'comply or explain' basis. This requirement would stimulate substantive board discussions on the risks and opportunities arising from sustainable development issues.

Report by Elsevier Ltd (2011) Accounting information systems have also been computerized because of significant improvements in the technology. As accounting information systems are being computerized, accountants must gain the skills to use computerized systems. The use of computerized accounting information systems has brought opportunities for companies to perform the accounting functions more effectively and efficiently because the use of computerized AIS has brought significant time and cost savings.

Irvine & Lucas, (2016), Micha's, (2017) have also given arguments that IFRSs are inappropriate in developing and emerging economies. As stated, earlier adoption of IFRS brings challenges also along with the advantages. Researchers have highlighted that in emerging market countries, there are often deficiencies in accounting and auditing practices.

Venter et al., (2018) research the report advised that further accounting research be conducted to determine the association between accounting learning and economic progress. The study sought to identify the function of the accounting profession in economic development. According to the findings, this occupation has primarily contributed to economic progress.

Salisteanu and Oro's, (2013) The study analysed the vital role of accounting in the economic development. Finding emphasized the extensive role played by accounting in the economic environment. Accounting can strengthen the financial stability, create a safe investing environment, and strengthen investor's confidence. The study recommended the verification of accounting features to be supportive to the economic development, in addition to studying the way economic development affected the accounting development.

STATEMENT OF THE PROBLEM

Due to a lack of reliable and open accounting practices, emerging economies struggle to achieve sustainable economic growth. The absence of policies like this makes it challenging for organizations and governments to manage resources effectively, attract investors and funding, and make educated judgements.

2.2. NEED OF THE STUDY

In India MCA (Ministry of Corporate affairs) and ICAI (Institute of Chartered Accountants of India) have issued guidelines regarding the conversion of Indian accounting standards with IFRS. It is expected that it will benefit the economy by boosting its international trade.

2.3. HYPOTHESIS OF THE STUDY

Null Hypothesis (H₀): There is no significant relationship between modern accounting and economic development for emerging economies.

Alternative Hypothesis (H1): There is a significant relationship between modern accounting and economic development for emerging economies.

2.4. OBJECTIVES OF THE STUDY

1. To highlight the role of modern accounting in economic development.
2. To identify various economic factors influencing modern accounting.

3. RESEARCH METHODOLOGY:

Any research's reliability depends on a methodical approach to data collection and logical, sequential data analysis. Both primary and secondary data were used extensively in the current investigation.

3.1. CRONBACH'S ALPHA

Scale: ALL VARIABLES

Reliability Statistics	
Cronbach's Alpha	N of Items
.812	30

Based on the reliability test on 30 Questionnaires result is 0.812 indicates higher satisfactory Reliability consistency.

4. DATA ANALYSIS

Table 1: Modern Accounting supports in economic development

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	39	39.0	39.0	39.0
	Agree	57	57.0	57.0	96.0
	Neutral	4	4.0	4.0	100.0
	Total	100	100.0	100.0	

Analysis: The above table represent the responses of the respondents relating to whether the modern accounting helps in economic development. 57% Agree, 39% Strongly agree, 4% Neutral.

Interpretation: Most of the respondents agree that the modern accounting helps in economic

Table No 2: Accounting helps in economic development by the following

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Capital budgeting	11	11.0	11.0	11.0
	Finance	15	15.0	15.0	26.0
	Taxation	3	3.0	3.0	29.0
	All the above	71	71.0	71.0	100.0
	Total	100	100.0	100.0	

Analysis: The above table shows the responses relating to the accounting helps in economic development by the following. 71% says that all the above, 15% says finance, 11% says capital budgeting, 3% says taxation.

Interpretation: The maximum respondents says that accounting helps in economic development by all the above followings.

Table No 3: Formulating Economic and fiscal policy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	28	28.0	28.0	28.0
	Agree	69	69.0	69.0	97.0
	Neutral	3	3.0	3.0	100.0
	Total	100	100.0	100.0	

Analysis: The above table shows the responses relating to the formulation of economic and fiscal policy. 69% Agree, 28% Agree, 3% Neutral.

Interpretation: Most of the respondents agree that the accounting provide information that helps in formulating economic and fiscal policy of the country.

Table No 4: Taxation changes affects the market condition

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	96	96.0	96.0	96.0
	False	4	4.0	4.0	100.0
	Total	100	100.0	100.0	

Analysis: The above table shows the responses relating for the taxation changes affects the market condition. 96% True, 4% False.

Interpretation: Most of the respondents as its true where taxation changes affect the market condition.

Table No 5: IFRS adoption is important for economic development

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very important	28	28.0	28.0	28.0
	important	59	59.0	59.0	87.0
	Moderately important	11	11.0	11.0	98.0
	Slightly important	2	2.0	2.0	100.0
	Total	100	100.0	100.0	

Analysis: The above table shows the response relating for IFRS adoption is important for economic development. 59% important, 28% Very important, 11% moderately important, 2% Slightly important.

Interpretation: Most of the respondents says IFRS adoption is important for economic

Table No.6. ONE-WAY ANOVA

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Q15 Taxation	Between Groups	.013	2	.006	.161	.851
	Within Groups	3.827	97	.039		
	Total	3.840	99			
Q13 Trading	Between Groups	.344	2	.172	.212	.809
	Within Groups	78.566	97	.810		
	Total	78.910	99			
Q16 Rising awareness	Between Groups	6.921	2	3.461	15.266	.000
	Within Groups	21.989	97	.227		
	Total	28.910	99			

From the above study One-way Anova conducted on the factor that the economic development has a significant relationship raising awareness, taxation, and trading in modern accounting.

The taxation and Trading as concluded that:

Null hypothesis is accepted, as the p- value is greater than 0.05.

The interpretation suggests that there is no significant relationship between modern accounting and economic development for emerging economies.

The Raising awareness conclude that:

Null hypothesis is rejected, as the p- value is lesser than 0.05

The interpretation says that there is a significant relationship between modern accounting and economic development for emerging economies.

As I concluded other two variables which are accepted. I ignore the rising awareness which is rejected. So, the post Hoc Test is not conducted.

Table No.7. CHI-SQUARE

Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Q3 Domicile * Q18 IFRS standards easy or difficult	100	100.0%	0	0.0%	100	100.0%

Q3 Domicile * Q18 IFRS standards easy or difficult Crosstabulation					
			Q18 IFRS standards easy or difficult		Total
			Easy	Difficult	
Q3 Domicile	Rural	Count	8	6	14
		Expected Count	8.5	5.5	14.0
	Semi urban	Count	11	14	25
		Expected Count	15.3	9.8	25.0
	Urban	Count	42	19	61
		Expected Count	37.2	23.8	61.0
Total		Count	61	39	100
		Expected Count	61.0	39.0	100.0

Chi-Square Tests			
	Value	df	Asymptotic Significance (2- sided)
Pearson Chi-Square	4.706 ^a	2	.095
Likelihood Ratio	4.658	2	.097
Linear-by-Linear Association	2.234	1	.135
N of Valid Cases	100		

- a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 5.46.

Symmetric Measures			
		Value	Approximate Significance
Nominal by Nominal	Phi	.217	.095
	Cramer's V	.217	.095
N of Valid Cases		100	

From the above study- Chi-square conducted on the factor that the Domicile by IFRS standards.

Null hypothesis is accepted. As the p- value is greater than 0.05.

We cannot conclude that there is a significant association between the variables being compared. The interpretation suggests

that there is no significant relationship between modern accounting and economic development for emerging economies.

5. RESULTS

Modern accounting plays a crucial role in the economic development of emerging economies. Here are some key findings regarding its significance:

Improved Financial Reporting emerging economies benefit from better financial reporting systems thanks to modern accounting techniques. Financial statements that are accurate and transparent draw in foreign investment, make it easier to access capital markets, and inspire confidence in investors.

Effective Resource Allocation by determining profitable industries, evaluating the viability of projects, and controlling risks, rising economies may more effectively deploy resources. This promotes economic growth by directing investments towards industries with growth potential.

Stronger Governance Structures and Institutions stronger corporate governance frameworks and regulatory institutions are because of effective accounting systems. Improved accountability, decreased corruption, and strengthened rule of law are all results of transparent financial reporting and complying to international accounting standards.

Market Access modern accounting practices integrate rising economies with global norms, allowing them to participate in international trade and attract foreign direct investment. Compliance with international accounting standards boosts credibility and makes collaboration with multinational firms easier.

Investor Confidence and Access to Capital investor confidence is increased by the reliable financial information offered by current accounting practices. As a result, access to cash improves as investors feel more comfortable lending or investing in emerging economies, supporting economic growth.

Better Decision-Making financial data that is accurate and timely assists decision-making at all levels, from government policy formulation to business strategy development. Modern accounting enables economic stakeholders to analyze performance, discover inefficiencies, and make informed resource allocation decisions.

6. CONCLUSION OF THE STUDY

Finally, this research investigated the function of contemporary accounting in the economic development of emerging economies. The findings show that modern accounting practices have a substantial impact on supporting economic growth, attracting foreign investment, and strengthening governance systems.

Emerging economies may provide clear and credible accounting data through improved financial reporting systems, which boosts investor confidence and simplifies access to capital markets. This, in turn, fosters economic development by attracting domestic and foreign investments and fostering corporate expansion.

Additionally, implementing strong legal frameworks and international accounting standards improves accountability, lowers the danger of corruption, and fortifies governance systems. Transparent financial reporting harmonizes developing nations with worldwide norms, promoting trade, alliances with multinational firms, and economic integration.

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