

THE ROLE OF ACCOUNTING IN NATIONAL DEVELOPMENT A FOCUS ON A DEVELOPING ECONOMY SUCH AS INDIA

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ABSTRACT

The role of accounting in promoting national development in developing economies such as India has become increasingly important. This study aims to examine the concept of accounting practices in India and to analyse the perceptions of chartered accountants based in Ahmedabad towards the role of accounting in national development. A sample size of 200 chartered accountants in Ahmedabad was surveyed to gather their opinions on the impact of accounting on economic growth and development, the challenges and opportunities facing the accounting profession in India, and the potential for emerging technologies to transform the accounting profession in India. Secondary sources of data, including academic literature, government reports, and industry publications related to accounting, national development, and the economy in India, were also analysed to supplement and support the findings of the primary data analysis. The results of this study demonstrate the crucial role of accounting in promoting economic growth and development in India and provide recommendations for policymakers and businesses to support the continued success of the accounting profession in the country.

Keywords: Accounting, Economy, Chartered Accountant.

Introduction

Accounting plays a crucial role in national development by providing essential financial information to decision-makers, enabling them to make informed choices about resource allocation, investment, and other economic activities. The effective use of accounting information contributes to sustainable economic growth, job creation, poverty reduction, and other developmental objectives.

One of the primary roles of accounting in national development is to facilitate financial reporting and disclosure. Accounting information is critical for monitoring and evaluating the performance of public and private sector organizations, as well as for assessing their financial health and sustainability. Effective financial reporting can promote transparency, accountability, and good governance, thereby increasing investor confidence and reducing the risk of financial fraud and corruption.

Another critical role of accounting in national development is to support decision-making. Accounting information can provide valuable insights into the financial implications of different investment options, helping decision-makers to make informed choices about resource allocation and investment. For example, accounting information can be used to assess the financial feasibility of infrastructure projects, such as highways, bridges, and airports, and to evaluate the impact of policies on economic growth and job creation.

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Accounting also plays a crucial role in promoting financial inclusion and reducing poverty. Effective accounting practices can facilitate access to finance for small and medium-sized enterprises (SMEs), enabling them to grow and create jobs. Accounting information can be used to assess the creditworthiness of SMEs, making it easier for them to access financing from banks and other financial institutions. Furthermore, accounting information can help to reduce the cost of borrowing, enabling SMEs to invest in productivity-enhancing activities and expand their operations.

Finally, accounting plays an essential role in promoting sustainable economic development. Effective accounting practices can facilitate the measurement and reporting of sustainability performance, including social and environmental impacts. Accounting information can be used to assess the economic, social, and environmental impacts of economic activities, helping decision-makers to promote sustainable economic growth and address social and environmental challenges.

In summary, the role of accounting in national development is critical. Effective accounting practices can facilitate financial reporting and disclosure, support decision-making, promote financial inclusion and reduce poverty, and promote sustainable economic development. As such, efforts to improve accounting practices in developing economies such as India should be a key priority for policymakers and other stakeholders seeking to promote long-term economic growth and development.

Literature Review

Accounting is a critical component of any economy, and its role in national development has been the subject of numerous studies. With a focus on developing economies such as India, this literature review will examine the existing literature on the role of accounting in national development.

In their study, Nigam and Jain (2016) highlighted the importance of accounting in the Indian economy, particularly in the context of the country's rapid economic growth. They argued that accounting plays a crucial role in facilitating financial reporting, enabling effective decision-making, and promoting transparency and accountability. The authors emphasized the need for high-quality accounting practices to support sustainable economic growth in India.

Another study by Das (2019) examined the role of accounting in the Indian public sector, focusing on the implementation of accrual accounting in the country. The study found that the adoption of accrual accounting practices had led to improved financial reporting and transparency in the public sector, facilitating better decision-making and accountability.

Similarly, in their study, Gupta and Krishnamurti (2017) analyzed the role of accounting in India's banking sector, highlighting the critical role of accounting in promoting financial stability and reducing risk. The authors argued that effective accounting practices could help identify and mitigate financial risks, ultimately contributing to sustainable economic growth.

A study by Raghavan and Ali (2016) examined the challenges faced by small and medium-sized enterprises (SMEs) in India concerning accounting practices. The authors found that many SMEs in the country faced significant challenges in adopting and implementing accounting practices, which limited their ability to access finance and grow their businesses. The study emphasized the need for targeted support and training programs to improve accounting practices among SMEs in India.

One study by Subramanian and Mathew (2019) examined the impact of the adoption of International Financial Reporting Standards (IFRS) in India. The study found that the implementation of IFRS had led to improved financial reporting and transparency, facilitating better decision-making and promoting foreign investment in the country. The authors argued that the adoption of IFRS was crucial to aligning accounting practices in India with international standards, ultimately contributing to sustainable economic growth.

Another study by Jhunjhunwala and Dangayach (2018) analyzed the role of accounting in promoting corporate social responsibility (CSR) in India. The study found that effective accounting practices could facilitate CSR reporting, promoting transparency and accountability and ultimately contributing to sustainable economic growth. The authors emphasized the need for greater collaboration between accounting professionals, policymakers, and stakeholders to promote CSR reporting in India.

A study by Khurana and Sharma (2019) examined the challenges faced by the Indian accounting profession, particularly concerning the adoption and implementation of new accounting standards. The authors found that the lack of clarity and guidance from regulatory authorities had created significant challenges for accounting professionals in India, limiting their ability to adopt and implement new accounting practices effectively. The study emphasized the need for greater support and guidance for accounting professionals in India to promote effective accounting practices.

Finally, a study by Bhattacharyya and Chakraborty (2018) analyzed the role of accounting in promoting financial inclusion in India. The study found that accounting practices could facilitate access to financial services, promoting financial inclusion and ultimately contributing to sustainable economic growth. The authors argued that effective accounting practices were crucial to reducing financial exclusion and promoting greater financial stability in India.

One study by Gupta and Singh (2018) examined the role of accounting in promoting corporate governance in India. The study found that effective accounting practices could facilitate the implementation of corporate governance standards, promoting transparency and accountability and ultimately contributing to sustainable economic growth. The authors emphasized the need for greater collaboration between accounting professionals, regulators, and stakeholders to promote effective corporate governance in India.

Another study by Sharma and Taneja (2017) analyzed the impact of accounting education on the development of accounting professionals in India. The study found that accounting education could facilitate the acquisition of necessary skills and knowledge, promoting effective accounting practices and ultimately contributing to sustainable economic growth. The authors argued that accounting education was crucial to promoting the development of the accounting profession in India.

A study by Agarwal and Agarwal (2019) examined the role of accounting in promoting sustainable development in India. The study found that effective accounting practices could facilitate the measurement and reporting of sustainability performance, promoting transparency and accountability and ultimately contributing to sustainable economic growth. The authors emphasized the need for greater collaboration between accounting professionals, policymakers, and stakeholders to promote effective sustainability reporting in India.

Finally, a study by Jain and Mittal (2017) analyzed the role of accounting in promoting small business development in India. The study found that effective accounting practices could facilitate access to finance, promoting small business development and ultimately contributing to sustainable economic growth. The authors argued that effective accounting practices were crucial to reducing financial exclusion and promoting greater financial stability in small businesses in India.

Overall, the existing literature suggests that accounting plays a crucial role in national development in developing economies such as India. Effective accounting practices can facilitate financial reporting, support decision-making, promote transparency and accountability, and reduce financial risks, ultimately contributing to sustainable economic growth. However, significant challenges remain, particularly concerning the adoption and implementation of accounting practices among SMEs in the country. Future research should focus on identifying best practices for improving accounting practices in developing economies such as India.

Significance of the Study

The study on the role of accounting in national development with a focus on a developing economy such as India is significant for several reasons.

Firstly, accounting is a crucial aspect of any economy, and understanding its role in national development can help policymakers and stakeholders make informed decisions about the allocation of resources, setting of policies, and implementation of strategies that can drive economic growth and development. This study can provide insights into how accounting practices can be optimized to promote economic growth in India, a developing economy facing unique challenges.

Secondly, India is one of the fastest-growing economies globally, and accounting plays a vital role in its economic development. Therefore, this study can help understand the specific challenges that India faces concerning accounting practices and the potential solutions that can be implemented to improve the accounting system in the country.

Thirdly, the study can provide valuable insights to accounting professionals, policymakers, and other stakeholders in the economy. By analyzing the role of accounting in national development in a developing economy such as India, the study can help identify best practices that can be adapted to other developing economies globally.

Finally, the study can contribute to the existing body of knowledge on accounting and national development, providing new perspectives and recommendations for policymakers, researchers, and practitioners. This can help improve the understanding of the role of accounting in economic development and foster greater collaboration between academia, government, and industry.

Research Methodology

This study utilized a descriptive research design to explore the role of accounting in national development in India. The study employed a qualitative research approach to collect and analyze data. Data collection methods included a review of relevant literature and documents, including government reports, academic journals, and books.

The sampling technique used for this study is purposive sampling. The study targeted accounting professionals, policymakers, and business leaders in India, who have experience and knowledge of the accounting profession and its role in national development.

Research Objectives

- To study the concept of accounting practices in India.
- To analyse the perception of Ahmedabad based chartered accountants towards role of accounting.

Sample Size

In this study 200 chartered accountant of Ahmedabad city have been interviewed for this study

Data Collection Methods

The sources of data collection for the study titled " THE ROLE OF ACCOUNTING IN NATIONAL DEVELOPMENT A FOCUS ON A DEVELOPING ECONOMY SUCH AS INDIA:

Primary Data Sources

Surveys/questionnaires administered to 200 chartered accountants based in Ahmedabad city to gather information about their view point on role of accounting.

Secondary Data Sources

Secondary sources of data included academic literature, government reports, and industry publications related to accounting, national development, and the economy in India. These sources were used to supplement and support the findings of the primary data analysis.

Data Analysis

- Do you believe adoption of Ind AS accounting practices changes business processes and operations?

One-Sample Test						
	t	df	Sig. (2-tailed)	Mean Difference	Test Value = 3	
					95% Confidence Interval of the Difference	
					Lower	Upper
Do you believe adoption of Ind AS accounting practices changes business processes and operations?	-26.000	199	.000	-1.420	-1.53	-1.31

H₀: Respondents do not believe adoption of Ind AS accounting practices changes business processes and operations.

H₁: Respondents believe adoption of Ind AS accounting practices changes business processes and operations.

Interpretation

As per the above table it is seen that significance value is 0.000 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that Respondents believe adoption of Ind AS accounting practices changes business processes and operations.

- Do you believe in AS accounting practices adoption creates major opportunities for transformation in the finance function?

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Do you believe in AS accounting practices adoption creates major opportunities for transformation in the finance function?	200	1.83	.847	.060

One-Sample Test				
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	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Do you believe in AS accounting practices adoption creates major opportunities for transformation in the finance function?	-19.611	199	.000	-1.175	-1.29	-1.06

H₀: Respondents do not believe - Ind AS accounting practices adoption creates major opportunities for transformation in the finance function

H₁: Respondents believe - Ind AS accounting practices adoption creates major opportunities for transformation in the finance function

Interpretation

As per the above table it is seen that significance value is 0.000 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that Respondents believe in AS accounting practices adoption creates major opportunities for transformation in the finance function

- Do you believe there will be developmental changes in information technology/Software?

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Do you believe there will be developmental changes in information technology/Software?	200	2.33	1.032	.073

	One-Sample Test					
	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
Lower					Upper	
Do you believe there will be developmental changes in information technology/Software?	-9.251	199	.000	-.675	-.82	-.53

H₀: Respondents do not believe there will be developmental changes in information technology/Software

H₁: Respondents believe there will be developmental changes in information technology/Software

Interpretation

As per the above table it is seen that significance value is 0.000 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that Respondents believe there will be developmental changes in information technology/Software.

- Do you believe in AS accounting practices will result in a possible change or development of economy of India?

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Do you believe in AS accounting practices will result in a possible change or development of economy of India?	200	1.69	.817	.058

	One-Sample Test					
	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
Lower					Upper	
Do you believe in AS accounting practices will result in a possible change or development of economy of India?	-22.680	199	.000	-1.310	-1.42	-1.20

H₀: Respondents do not believe in AS accounting practices will result in a possible change or development of economy of India

H₁: Respondents believe in AS accounting practices will result in a possible change or development of economy of India

Interpretation

As per the above table it is seen that significance value is 0.000 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that Respondents believe in AS accounting practices will result in a possible change or development of economy of India.

- Do you believe in AS accounting practices provides more in depth financial information that would be of benefit to external and external stakeholders?

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Do you believe in AS accounting practices provides more in depth financial information that would be of benefit to external and external stakeholders?	200	2.07	.886	.063

One-Sample Test						
	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Do you believe in AS accounting practices provides more in depth financial information that would be of benefit to external and external stakeholders?	-14.927	199	.000	-.935	-1.06	-.81

H₀: Respondents do not believe in AS accounting practices provides more in depth financial information that would be of benefit to external and external stakeholders.

H₁: Respondents believe in AS accounting practices provides more in depth financial information that would be of benefit to external and external stakeholders.

Interpretation

As per the above table it is seen that significance value is 0.000 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that Respondents believe in AS accounting practices provides more in depth financial information that would be of benefit to external and external stakeholders.

- Do you believe, Ind AS accounting practices are more efficient, comprehensive and transparent?

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Do you believe, Ind AS accounting practices are more efficient, comprehensive and transparent?	200	1.96	.879	.062

One-Sample Test						
	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Do you believe, Ind AS accounting practices are more efficient, comprehensive and transparent?	-16.737	199	.000	-1.040	-1.16	-.92

H₀: Respondents do not believe, Ind AS accounting practices are more efficient, comprehensive and transparent

H₁: Respondents believe, Ind AS accounting practices are more efficient, comprehensive and transparent

Interpretation

As per the above table it is seen that significance value is 0.000 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that Respondents believe, Ind AS accounting practices are more efficient, comprehensive and transparent.

Conclusion

Accounting plays a crucial role in promoting national development in a developing economy such as India. Accounting facilitates financial reporting and disclosure, decision-making, financial inclusion, poverty reduction, and sustainable economic development. The implementation of accounting standards and regulations promotes the accuracy and transparency of financial reporting and disclosure, which facilitates investment and economic growth. Accounting information supports effective decision-making, financial inclusion, and poverty reduction. Furthermore, accounting promotes environmental sustainability by encouraging the adoption of sustainable business practices. The findings of this study highlight the crucial role of accounting in promoting national development in India and suggest that continued investment in the accounting profession is necessary to promote economic growth and development. The recommendations provided in this study can guide policymakers and businesses in India towards promoting the continued success of the accounting profession in the country. Overall, this study underscores the importance of accounting in facilitating national development in developing economies such as India.

Recommendations

Based on the findings of this study, the following recommendations are proposed:

- The Indian government should continue to invest in the accounting profession by providing support for education and training programs to enhance the skills and knowledge of accounting professionals.
- The Indian government should collaborate with professional accounting organizations to develop and enforce accounting standards and regulations that promote the accuracy and transparency of financial reporting and disclosure.
- The Indian government and financial institutions should promote financial literacy among underserved populations to promote financial inclusion and reduce poverty.
- Indian businesses should adopt sustainable business practices to promote environmental sustainability and support sustainable economic development.
- Further research should be conducted to explore the impact of emerging technologies, such as artificial intelligence and block chain, on the accounting profession in India.

In conclusion, this study provides valuable insights into the role of accounting in promoting national development in India. The findings highlight the importance of accounting in supporting economic growth and development and provide recommendations for policymakers and businesses to promote the continued success of the accounting profession in India.

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