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W35 &P72: Digital Accounting Practices in MSMEs: An Empirical Study of Awareness and Usage Behaviour

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Abstract: In the era of digital transformation, accounting software has become an essential tool for MSMEs to improve efficiency, accuracy, and regulatory compliance. This study examines the awareness, usage, and adoption behaviour of accounting software among MSMEs in Surat City using primary data collected through a structured questionnaire. The findings reveal that awareness of accounting software is steadily increasing, and adoption is mainly driven by GST compliance, operational efficiency, and financial accuracy. However, the extent of usage varies across enterprises, with most MSMEs utilising software primarily for basic accounting functions rather than advanced strategic purposes. The study also identifies a gap between awareness and effective utilisation, influenced by factors such as knowledge level, usability, and digital infrastructure. Overall, the study highlights the growing importance of digital accounting practices and emphasises the need to strengthen technological awareness and strategic usage among MSMEs for effective digital transformation.

Keywords: Accounting Software, MSMEs, Digital Transformation, Technology Adoption, GST Compliance, Financial Management, Digital Accounting, SMEs, Adoption Behaviour.

1. Introduction

In the modern business environment, digital transformation has become essential for improving efficiency and competitiveness. MSMEs, which play a vital role in India's economy, are increasingly adopting digital technologies to enhance business operations. Among these, accounting software has emerged as an important tool for automating billing, invoicing, payroll, inventory management, and financial reporting. It improves accuracy, reduces manual errors, saves time, and supports better decision-making. In India, accounting software also plays a significant role in ensuring GST compliance, making digital accounting practices increasingly important for MSMEs seeking operational efficiency and sustainable growth.

Despite technological advancements, the level of awareness and adoption of accounting software varies across MSMEs. Understanding usage patterns and adoption behaviour is essential for promoting digital accounting practices.

2. Literature Review

Sr. No.	Author & Year	Key Findings
1	Li et al. (2021)	Digitalisation improves efficiency, innovation, and decision-making in SMEs.
2	Singh & Sharma (2022)	Awareness, social influence, and external support significantly affect technology adoption.
3	Patel & Desai (2023)	Infrastructure, cost, and technical knowledge are major barriers to MSME adoption of technology.

4	Alsharari et al. (2019)	Cloud accounting enhances flexibility, real-time access, and cost efficiency.
5	Rahayu & Day (2017)	Perceived usefulness and ease of use strongly influence technology adoption behaviour.

The reviewed studies show that accounting software improves efficiency, accuracy, compliance, and decision-making in MSMEs. However, adoption is influenced by factors such as awareness, perceived benefits, and infrastructural support.

3. Research Gap: Existing studies mainly focus on theoretical aspects of technology adoption, with limited empirical research on the awareness, usage, and adoption of accounting software among MSMEs, especially in the Indian context. Therefore, this study examines the awareness, usage behaviour, and adoption patterns of accounting software among MSMEs in Surat City.

4. Objectives

1) To examine the level of awareness and usage of accounting software among MSMEs.
2) To analyse the adoption patterns and key reasons for using accounting software among MSMEs.

5. Research Methodology

The present study is empirical and descriptive in nature, based on primary data collected from 50 MSMEs in Surat City through convenience sampling. Data was gathered using a structured questionnaire consisting of 22 closed-ended questions related to demographics, awareness, and usage behaviour of accounting software. The study focuses on MSME owners and related professionals, and the collected categorical data were analysed using percentage analysis, frequency distribution, and cross-tabulation techniques.

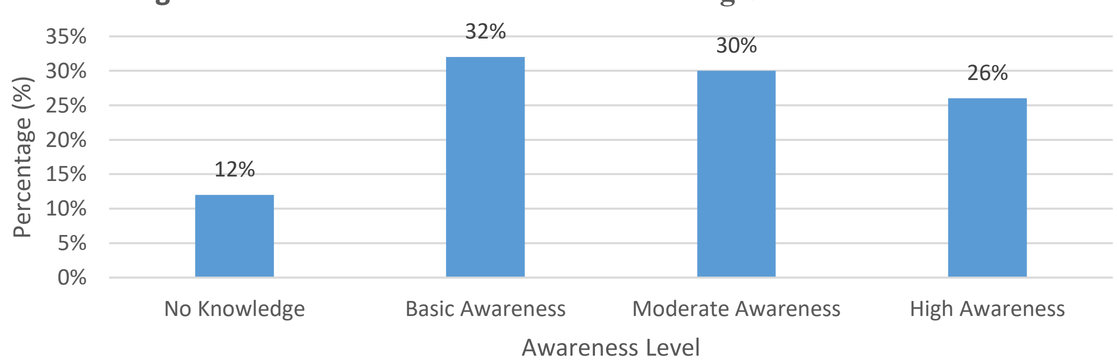
6. Data Analysis & Interpretation

6.1 Awareness and Usage of Accounting Software

Table 6.1.1: Awareness Level of Accounting Software (n = 50)

Awareness Level	Frequency	Percentage (%)
No Knowledge	6	12%
Basic Awareness	16	32%
Moderate Awareness	15	30%
High Awareness	13	26%

Figure 6.1.1 : Awareness Level of Accounting Software



Interpretation

The above table reveals that most respondents possess at least basic awareness of accounting software. While 56% of respondents show moderate to high awareness and 32% have basic awareness, 12% still lack knowledge of accounting software. This indicates that although awareness of digital accounting tools is increasing among MSMEs, complete awareness has not yet been achieved.

Table 6.1.2: Functional Usage of Accounting Software (Multiple Response)

Function	Frequency	Percentage (%)
Billing & Invoicing	28	90%
GST & Tax Compliance	26	84%
Payroll Management	14	45%
Inventory Management	19	61%
Financial Reporting	21	68%
Banking Integration	11	35%

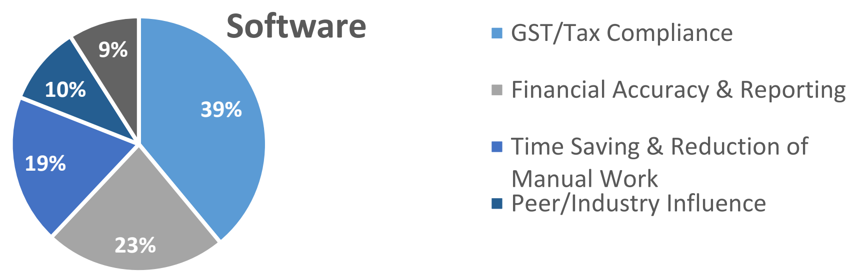
Accounting software is primarily used for billing and GST compliance, indicating that regulatory requirements are a major driver of adoption. Advanced functionalities such as payroll and banking integration are less utilised, suggesting that MSMEs are not fully leveraging the complete potential of accounting software.

6.2 Adoption Patterns and Key Reasons for Using Accounting Software

Table 6.2.1: Primary Reason for Adoption of Accounting Software (n = 31)

Reason for Adoption	Frequency	Percentage (%)
GST/Tax Compliance	12	39%
Financial Accuracy & Reporting	7	23%
Time Saving & Reduction of Manual Work	6	19%
Peer/Industry Influence	3	10%
Consultant/Accountant Recommendation	3	9%

Figure 6.2.1 : Primary Reason for Adoption of Accounting Software



Interpretation

The data shows that GST and tax compliance (39%) is the major factor driving the adoption of accounting software among MSMEs, highlighting the strong influence of regulatory requirements. Other important reasons include improved financial accuracy (23%) and time-saving benefits (19%), indicating that operational efficiency also motivates adoption. In comparison, peer and consultant influence is relatively low, suggesting that adoption is primarily need-based rather than socially driven.

7. Findings

- A majority of MSMEs possess basic to moderate awareness of accounting software, reflecting increasing digital familiarity in the sector.
- Adoption of accounting software is moderate but steadily increasing, with most users adopting it within the last few years.
- GST compliance, financial accuracy, and operational efficiency are the major drivers of adoption.
- Accounting software is mainly used for billing, invoicing, and tax compliance, while advanced features remain underutilised.
- MSMEs with higher knowledge levels, better internet access, and larger business size show greater adoption and effective usage behaviour.
- The study highlights a gap between awareness and strategic utilisation, indicating that many MSMEs are still in the early stage of digital transformation.

8. Conclusion

The study concludes that awareness and adoption of accounting software among MSMEs are gradually increasing, driven mainly by GST compliance and operational efficiency needs. Most enterprises use software for basic accounting functions, while advanced features remain underutilised. Adoption behaviour is significantly influenced by business size, knowledge level, and digital infrastructure availability. Although MSMEs are moving toward digital accounting practices, a gap still exists between awareness and effective utilisation. Therefore, strengthening digital knowledge, infrastructure, and strategic usage is essential for achieving comprehensive digital transformation in the MSME sector.

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About SLU College

Shree Lalshankar Umiyashankar Arts and Harivadan & Padmaben Thakore Commerce College for Women, which was established in 1920 as an endeavour of Gujarat Stree Kelvani Mandal, has the proud privilege of being the first women's college in Ahmedabad. The college is recognised under Section 2 (f) and 12 (b) of UGC Act 17th June, 1972. The college runs various programmes in affiliation with Gujarat University such as - B.A., B.Com., and M.Com. The BS-BBA programme was added from the academic year 2025-2026. The college also runs several add-on programmes like Fashion Design and Computer Courses at the ICTC centre located at the SLU Campus.

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