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Analysing the Role of Digital Accounting System in User's Efficiency and Satisfaction in comparison to the Traditional System of Accounting in MSMEs

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Abstract

Micro, Small and Medium Enterprises (MSMEs) are the central to India's growth story in toady's context and a prominent ecosystem of startups. When, it comes to use of digital tech interventions in managing routine activities in business then it is again very crucial to investigate that whether firms having different size and scale of operations are utilising these latest software's and tools or not. In present empirical study, it has been analysed that MSMEs users (Owners and Professional Managers) are getting a significant improvement into their accounting process efficiency and increased level satisfaction via digital software as compared to traditional way to manage accounting transactions. A sample size of 283 users has been utilised to analyse our findings. This research finds out that digital accounting system offers increased level of satisfaction and even increasing significant level of user's efficiency in MSMEs owners and professionals.

Keywords: *MSMEs, Accounting Process, Digital accounting, Traditional System, Efficiency and Satisfaction.*

1. Introduction

Van den Bussche (2024) explores that digital system has created influence on accounting practices in organisations. Alsharari & Ikem (2023) highlights that digital accounting system has wider usages in public sector organisations. In this way, it is very important to investigate the operational and real changes faced by MSMEs which are next to agricultural sector in Indian context. In terms of job creation, MSMEs are ahead of majority of industries. When, it comes to professional management of an enterprise, account and admin functions are again very crucial. In this context, it is very important to investigate its core activities like accounting, operations and marketing initiatives. MSMEs can be classified on the basis of investment and turnover as per given table:

Table :1
MSMEs classification based on investment and turnover

Category	Investment in Plant & Machinery / Equipment	Annual Turnover
Micro Enterprise	Up to ₹2.5 Crore	Up to ₹10 Crore
Small Enterprise	Up to ₹25 Crore	Up to ₹100 Crore
Medium Enterprise	Up to ₹125 Crore	Up to ₹500 Crore

Source: (Ministry of Micro, Small and Medium Enterprises, 2025)

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The rapid development of digital technology has revolutionized traditional business operations, especially in the field of accounting. Digital accounting systems, which incorporate different software solutions in recording, processing, and reporting financial information, are increasingly being adopted by Micro, Small, and Medium Enterprises (MSMEs) to increase their efficiency and decision-making capabilities. This is in sharp contrast to traditional accounting systems, which largely depend on manual operations and have been criticized for their limitations, including those mentioned in the traditional system of accounting (Badria & Hasanah, 2024).

Efficiency is a very important aspect of MSMEs, as their limited resources and constraints hinder their efficiency. The use of digital accounting systems helps improve efficiency by saving time for routine tasks like bookkeeping, inventory management, and financial reporting. Research suggests that automated accounting systems minimize manual intervention, thereby improving speed and accuracy (Tumanggor et al., 2025). In opposite way , traditional accounting systems are time-consuming and lead to inaccuracies, which can impact organizational performance adversely.

An important factor that can be considered while assessing the effectiveness of accounting systems is user satisfaction. The adoption of digital accounting is affected by different factors, including perceived usefulness, ease of use, and system reliability, as proposed by the Technology Acceptance Model (Davis, 1989). There is empirical evidence that digital accounting increases user satisfaction due to convenience, transparency, and better control over financial information (Iskandar, 2025). On the other hand, difficulties associated with the lack of technical know-how and resistance to change can affect user satisfaction with digital accounting systems in MSMEs (Rahman et al., 2026). Considering the increased need for digital transformation, it is necessary to consider the efficiency of digital accounting systems compared with traditional approaches, along with user satisfaction. This research will attempt to explore different dimensions, including user satisfaction, with reference to MSMEs, thereby providing an insight into the application of technology-driven accounting practices.

2. Review of Literature

Silva et al. (2025) explored that digital accounting creates more efficient and useful option to business organisations. The increasing trend of using digital technologies has profoundly changed the field of accounting, especially for Micro, Small, and Medium Enterprises (MSMEs). Digital accounting systems, usually part of the Accounting Information Systems (AIS) of organizations, have been extensively researched for their effectiveness compared to traditional accounting systems. The existing literature suggests various aspects of digital accounting systems, both advantages and disadvantages. Some research articles have emphasized the importance of digital accounting systems in increasing the efficiency of MSMEs. In this regard, a study conducted by Badria & Hasanah (2024) revealed that digital accounting systems improve business performance through faster processing, better record-keeping, and more accurate decision-making. Similarly, another research article published by Tumanggor et al. (2025) revealed that the integration of digital tools with the accounting system, such as through electronic commerce platforms, increases the efficiency of business processes.

This implies that digital accounting systems are more efficient compared to traditional systems. Another critical factor in the digital accounting system, as highlighted in the literature, is the quality of accounting information. Literature has demonstrated that digital accounting systems improve the quality of accounting information. A study done on MSMEs in Surabaya, Indonesia, revealed that digital accounting systems positively influence the quality of accounting information, which in turn improves business performance. This is in line with the Information System Success Model, which asserts that system quality and information quality are critical factors in determining user satisfaction and organizational performance. User satisfaction is one of the critical factors in assessing the success of digital accounting systems. Literature has demonstrated that system quality, information quality, and service quality are critical factors in influencing user satisfaction and decision-making in MSMEs (Iskandar, 2025). Moreover, recent research suggests that the relationship between digital accounting

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systems and satisfaction is mediated by user experience and convenience, implying that the usability and design of the system's interface are of primary importance in achieving desired outcomes in digital accounting system adoption, as emphasized in the research by Rahman et al. (2026). This further supports the argument that digital accounting systems result in increased satisfaction compared to traditional accounting systems. The Technology Acceptance Model (TAM) and Resource-Based View (RBV) are some of the theoretical frameworks that have been applied to understand the adoption of digital accounting systems. According to these models, the primary factors that influence the adoption of technology are the perceived benefits of using the technology and the ease of using it. The research suggests that MSMEs are likely to adopt digital accounting systems if they perceive the benefits of using digital accounting systems in terms of increased performance and efficiency. Moreover, digital financial literacy has been recognized as a critical factor in the adoption of digital accounting systems, as users who are more technologically competent are likely to make better use of digital accounting systems. However, some studies point to some issues associated with the adoption of digital accounting. These issues include high cost of implementation, lack of technical know-how, and lack of digital literacy among MSME owners. Badria and Hasanah (2024) observed that lack of understanding of digital accounting tools can be a barrier to the effective utilization of digital accounting, hence affecting its benefits. It is also noteworthy that the effect of digital accounting on performance is not always direct; rather, it is subject to some intervening variables, like information quality and capability. This implies that the adoption of digital accounting is not enough; its effective utilization is critical. It is noteworthy that, compared to traditional accounting systems, digital accounting systems are fast, accurate, and responsive to dynamic business environments. Digital accounting systems eliminate the need for repetition, reduce errors, and make it possible to access real-time data, thus enhancing satisfaction. Some empirical studies also support the argument that digital transformation enhances the competitiveness and financial performance of MSMEs. Therefore, in conclusion, based on the literature, it is evident that there is sufficient evidence to prove that digital accounting systems improve efficiency and user satisfaction relative to traditional accounting practices. However, there is a need for further research to concentrate on resolving the barriers to the adoption of digital accounting systems and their long-term effects on the sustainability of MSMEs.

3. Research Objectives

- To explore user experience gaps in digital versus traditional system of accounting.
- To Analyse user's efficiency and satisfaction level in using digital accounting as compared to traditional accounting system.

4. Research Design

The present study is based on a sample of 283 respondents, including owners of MSMEs and professional managers working in the accounting department. The selection of the sample is such that it represents the views of the people involved in the process of financial recording, reporting, and decision-making within the organizations. They have practical knowledge and experience working with traditional as well as digital accounting systems and hence are in a better position to answer the research questions in terms of the level of satisfaction. The sample selection is based on the convenience and purposive sampling method. The sample is large enough to carry out the statistical analysis and hypothesis testing, and the results are generalizable within the context of MSMEs.

5. Set of Hypotheses

Based on extensive literature, the following set of hypotheses have been formulated for further testing in this study:

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$H1_0$: User's Satisfaction level is not improved by adoption of digital accounting as compared to traditional system of accounting

$H1_1$: User's Satisfaction level is improved by adoption of digital accounting as compared to traditional system of accounting

$H2_0$: There is no significant difference in perceived efficiency compared to traditional accounting across the factors of budget planning and preparation, inventory record maintenance, error reduction, and ease of error rectification

$H2_1$: There is a significant difference in perceived efficiency compared to traditional accounting across the factors of budget planning and preparation, inventory record maintenance, error reduction, and ease of error rectification

6. Data Analysis and Interpretations

6.1 Statistical testing of $H1_0$

Independent Variables influencing satisfaction level

1. *Time is saved by using accounting software*
2. *Cost is reduced by using accounting software*
3. *Accounting software facilitates easy reporting*
4. *Using accounting software improves accuracy*

Table-2
Model Fit Output for Multiple Linear Regression Analysis

R	R^2	Adjusted R^2	Standard error of the estimate
0.58	0.34	0.33	0.42

Source: Data Analysis Output

Table-3
ANOVA

Model	df	F	p
Regression	4	36.04	<.001

Source: Data Analysis Output

In summary, your model shows a high positive relationship between the observed values and the prediction, explains 34.15% of the variance in the dependent variable, but the predictions are on average 0.42 units away from the actual values, which may or may not be significant depending on the context of your data.

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Table-4
Regression Coefficient

Model	Unstandard. Coef. B	Standard. Coef. Beta	Std. Error	T	p	95% CI for B lower bound	95% CI for B upper bound
Constant	1.05		0.37	2.86	.005	0.33	1.78
Time is saved by using accounting software	0.50	0.40	0.07	7.12	<.001	0.36	0.64
Cost is reduced by using accounting software.	-0.08	-0.09	0.05	-1.64	.101	-0.19	0.02
Accounting software facilitates easy reporting.	0.01	0.01	0.06	0.23	.815	-0.10	0.12
Using accounting software improves accuracy.	0.34	0.34	0.06	6.06	<.001	0.23	0.45

Source: Data Analysis Output

Satisfaction Level on using Accounting Software = 1.05 + 0.50* *Time* is saved by using accounting software – 0.08 * *Cost* is reduced by using accounting software + 0.01* Accounting software facilitates *easy reporting* + 0.34* Using accounting software *improves accuracy*.

According to the null hypothesis, adopting digital accounting does not increase user satisfaction when compared to traditional systems. The regression results, however, seem to indicate otherwise. Time savings (B = 0.50, p <.001) and improved accuracy (B = 0.34, p <.001) have a strong and statistically significant positive impact on user satisfaction, according to the model. On the other hand, ease of reporting (p =.815) and cost reduction (p =.101) are not statistically significant predictors. Time savings and accuracy have positive and significant coefficients, which show that they significantly improve user satisfaction. As a result, the null hypothesis is rejected despite some variables being negligible, and it is concluded that digital accounting systems do increase user satisfaction, mainly due to the advantages of efficiency and accuracy.

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6.2 Statistical testing of $H2_0$

Repeated measures ANOVA

Table-5

	Type III Sum of Squares	Df	Mean Square	F	p	η^2
Treatment	18.17	3	6.06	28.62	<.001	0.09
Error	179.08	846	0.21			

Source: Data Analysis Output

According to the null hypothesis, there is no discernible difference in perceived efficiency between inventory management, budgeting, error reduction, and error rectification. Nevertheless, the null hypothesis is rejected because the ANOVA results ($F = 28.62$, $p < .001$) show statistically significant differences among these dimensions. This implies that efficiency gains over conventional accounting differ depending on the function. The low error variance ($MS = 0.21$) confirms the reliability of the results, and the effect size ($\eta^2 = 0.09$) indicates a moderate impact, accounting for approximately 9% of the variance in perceived efficiency.

7. Imperatives for MSMEs Users and Accounting Professionals

In the context of the adoption of digital accounting, the statistical results offer significant imperatives for accounting professionals and MSME users. The regression results show that while cost reduction and ease of reporting have little effect on user satisfaction levels, time savings and increased accuracy are the most important factors. This implies that rather than concentrating only on cost reduction, MSMEs should give priority to accounting solutions that improve operational efficiency and data accuracy. Because these factors have a direct impact on user acceptance and satisfaction, it becomes crucial for practitioners to explain and illustrate how digital tools simplify workflows and lower manual errors.

In order to fully utilize digital systems, MSMEs must invest in training and skill development, as indicated by the model's explanatory power ($R^2 = 0.34$), which shows that a significant portion of satisfaction is shaped by these efficiency-related variables. Therefore, in order to stay relevant in a changing technological environment, accounting professionals need to improve their skills in software usage, data analytics, and digital reporting.

Additionally, budgeting, inventory management, error reduction, and error rectification show notable variations in efficiency gains across accounting functions, as demonstrated by the repeated measures ANOVA. This suggests that MSMEs should use a function-specific implementation strategy, concentrating more on areas where digital accounting increases productivity the most. There is room for more optimization given the moderate effect size ($\eta^2 = 0.09$), which indicates a significant but incomplete impact.

Overall, the findings show that digital accounting is a strategic enabler of accuracy and efficiency rather than just a tool for cutting costs. Accounting professionals must act as facilitators of digital transformation, ensuring effective utilization and optimizing organizational value, while MSMEs should match their adoption strategies with these advantages.

8. Conclusion

This research examined the effect of digital accounting system adoption on user satisfaction and efficiency, particularly with reference to MSMEs, compared to traditional accounting systems. The results show

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significant empirical support for the effectiveness of digital accounting, particularly with reference to user satisfaction, which is influenced by time-saving and accuracy. The results from the regression analysis confirmed that time-saving and accuracy are the two strongest predictors, while cost reduction and ease of reporting are not significant. This suggests that efficiency, not cost, is the key driver of user adoption. Additionally, the repeated measure ANOVA results showed that efficiency is not uniform across different accounting activities. There are significant differences in efficiency with reference to budgeting, inventory management, reduction of errors, and rectification of errors.

This suggests that digital accounting is not only effective but is specific to particular activities. The results also show that digital accounting is not the only solution for efficiency; it is not an exhaustive solution. Overall, the study refutes the null hypothesis and concludes that there are advantages of using digital accounting systems compared to conventional approaches. The findings of this study highlight the importance of strategic use of digital accounting by MSMEs and the development of relevant competencies by accounting professionals. The present study adds value to the existing body of knowledge by reinforcing the importance of digital accounting as a facilitator of business efficiency, precision, and satisfaction in the ever-changing business landscape. Future researchers can offer in-depth research on grounded reality.

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