

# Chapter 10

## Understanding Adoption of Accounting Software in Business Sectors at Kathmandu Valley: Evidence From Structural Equation Modelling


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### ABSTRACT

*The aim of this study is to determine the influence of knowledge and use of accounting software (AS) among small business (SB), medium scale industry, cottage industry, entrepreneurship, and informal sectors in Kathmandu Valley. This study has used structured questionnaire with an interview. The data were evaluated quantitatively by using both descriptive and inferential statistics. Based on practical experience and basic knowledge in the field of accounting, a total of 210 members are selected as the sample size for the study. The findings revealed that the knowledge of AS has a significant effect on the use of AS, meaning that there is significant and positive relationship among the knowledge of generalized AS and the use of such customized AS by business in Kathmandu Valley. In addition, this study shows the empirical evidence of knowledge of AS effects on the adoption of AS among business sectors in Kathmandu Valley. The use of AS has resulted in a significant impact on business in developing countries like Nepal.*

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## INTRODUCTION

### Background

The growing globalization of the world economy has attracted businesses from all over the world to compete in the global markets, leading to a new series of accounting problems, such as various currencies, and a multitude of accounting and tax laws (Boulianne, 2014). The tradition of accounting is vivid and fascinating (Reform & Path, 2019). Though today's companies depend more on modern processes, early corporate and financial transactions began on clay tablets. Today, automated technology is used for data analysis, confirmation, matching and more in various accounts payable organizations (Rijanto, 2021). Explore the persuasive evolution of accounting tools to figure out how to play a game of numbers. The scope of the responsibility of management accountants is shifting from merely reporting the aggregated historical significance to now include the measurement of organizational performance and the provision of management decision-making expertise (Tiron-Tudor & Deliu, 2021).

There is also an increasing need for a more sophisticated accounting software kit that can address complicated international accounting problems (Carlson et al., 2019). Various small and medium-sized firms have gradually started to use various accounting software to manage financial reports effectively and to increase operational efficiency and operating profit in the Asian community (Ahmed & Sarim, 2017). It also helped them improve accounting performance, speed of completion, decreased overall costs, timely reporting and reduced frustration with tax filings. (Hosain, 2019). Corporate information systems such as enterprise resource planning (ERP) systems have provided both improved data gathering capacity and enhanced processing power to accountants. With massive data derived from both internal and external data sources, accountants will also use data mining tools to address questions such as: what has happened? What is about to happen? And what is an optimal approach by use of accounting software such ERP? (Appelbaum, Kogan, Vasarhelyi, & Yan, 2017).

Barrett et al. (2010) computerized accounting software as “predominantly used to prepare financial statements such as the balance sheet (78%), benefit and loss statement (76%), and cash flow statement (63%)”. In a Heikkila survey of small companies in Finland, 85 percent of respondents used an accounting kit. Similarly, in a study of IT usage of small companies conducted in the United Kingdom in 1998, 86% of the 800 respondents claimed they had computerized their accounting systems. In 2001, 77 percent of New Zealanders used computerized accounting programs to complete their accounts. These numbers must have skyrocketed in the past five years (Pulakanam & Suraweera, 2010).

Today, there are large numbers of small and mediums enterprise being established in various landscape of Nepal (Mahat et al., 2019). There is favourable government policy in the support for entrepreneurship and youth for commencement of business. So, Accounting Software is need for making business systematic. There are many examples of failure of business due to lack of proper accounting recording of business activities (Gnawali, 2017). For making prudent financial recording and activities of the organization, adoption of Accounting Software is must which can play a pivotal role in managing financial report (Yang, 2021).

According to Thakur et al. (2020) in Nepal Accounting Software have a variety of elements such as economics and manufacturing, human capital, distribution, data incorporation based on market operations, and it can also be modified on-demand or to meet the individual needs of an enterprise. ERP systems allow database sharing in separate business units with various orientations based on divisions such as accounting and sales, and use the same information for their needs (Boonstra, 2022).

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