

## **Impact of Cloud-Based Accounting Systems on Financial Reporting Accuracy among FMCG Distributors in Nagpur**

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### **Abstract**

The current research study looks at how cloud-based accounting systems (CBAS) affects financial reporting among the FMCG distributors in Nagpur. As more distribution providers gain digitalization, cloud accounting platforms will have the capacity to increase the accuracy of reporting, lessen mistakes in manual reporting, and offer greater timeliness in financial statements. The research design is a quantitative, descriptive and explanatory research study founded on primary data, through the use of structured questionnaire among 120 FMCG distributors. The relationship between financial reporting accuracy and CBAS adoption was tested with the help of statistical resources, mean analysis, independent sample t-test, correlation, and regression analysis. The results show that the rate of error containment, accuracy of reconciliation, data reliability, and efficiency in internal control by the distributors who use cloud-based accounting systems is significantly high than the rate among non-users. The regression findings show that mandating CBAS adoption would capture a significant percentage of the variation over financial reporting accuracy. In addition, system integration and the training of the users were discovered to enhance reporting outcomes. The researchers conclude that cloud-based accounting systems are very important in improving financial transparency and effective operations in the FMCG distribution market in Nagpur. The conclusions contain practical insights to the distributors, software sellers, and policy makers to encourage the digital transformation of small businesses and medium enterprises.

**Keywords:** Cloud-Based Accounting Systems, Financial Reporting Accuracy, FMCG Distributors, Digital Accounting, Accounting Information Quality, SMEs, Nagpur, Technology Adoption.

### **Introduction**

Cloud-based accounting systems (CBAS) accounting software housed in remote computers and accessible via the Internet has quickly permeated both small and large firms due to its reported reduction in startup expenses, reporting, real-time, automated transaction processing, as well as, increased accessibility (Priyadarshinee et al., 2017). In the case of distributors of fast-moving consumer goods (FMCG), whose main business processes are tightly tied on inventory turns, brief credit cycles, and proper management of the margin, the integrity and timelines of financial reports become vital in managing working capital, negotiating with suppliers, and performing regulatory compliance tasks. Although vendors claim that CBAS help to minimize the number of manual errors and the time required to complete the closing operations, it still raises concerns as to whether the turn off to actual improvements in the accuracy of financial reporting, i.e., whether the reported values on financial transactions and related account balance reflect the actual correct processing and recording errors. The paper empirically tests that gap with FMCG distributors in Nagpur, India, where the primary distribution networks are made up of small and medium enterprises (SMEs), which are becoming the target of cloud accounting providers.

The theoretical and practical significance of the study of CBAS effects on reporting accuracy is significant. Theoretically, it relates technology-acceptance and information-quality models (e.g., TAM, DeLone and McLean) to accounting performance (data accuracy, completeness, timeliness), which is based on previous research framing ICT adoption as a binary variable. In practice, distributors are limited in resources, with fragmented accounting skillset and disparate IT infrastructures; whether CBAS has a statistically significant impact on reporting accuracy will be used to inform investment decisions of managers and digital-SME support policies of policymakers. The paper thus examines the relationship between CBAS adoption and increased financial reporting accuracy by distributors in the FMCG sector such as Nagpur and examines the drivers of adoption and implementation issues in the situation of distribution.

## Literature review

Its focus on cloud computing and the quality of accounting information has increased over the past 10 years. Prior studies have focused on determinants of adoption and the issue of infrastructures, whereas more recent research studies have investigated the outcome factors using the quality of reporting, their timely nature and effects on internal control. The adoption factors developed by Priyadarshinee et al. (2017) indicated that perceived benefits, supplier reliability, and regulatory transparency have a significant impact on cloud adoption: results that are relevant to FMCG distributors with limited IT budgets, functioning as SME entities.

Some empirical research indicates that there are positive correlations between adoption of cloud accounting and measures on the dimension of accounting information quality. The use of TAM as an independent variable or integrated IS success models is that perceived usefulness, ease of use, and system quality predict intentions in users, and such, in turn, enhances information quality measures (accuracy, completeness, and timeliness) (Mujalli, 2024; GrowingScience, 2024). As an illustration, an empirical study in Riyadh was to find out that actually considered advantages of cloud systems had positive links to accounting data quality particularly in organizations that integrated cloud technology to sufficient training and administration strategies.

The ways through which CBAS can enhance the accuracy of reporting are well-documented: automated data entry and bank feeds minimize errors of transcription; standardized chart of accounts and post-preformed rules hinder the subjective approach to classification; real-time reconciliation tools make the error detection more rapid; and the use of cloud-based audit trails enhances the traceability of correction of errors (Al-Zoubi, 2017 synthesis; Faccia and Mosteanu, 2019 synthesis). Nevertheless, such technical benefits do not necessarily result in precise reporting without redesigning processes, no sufficient user competence, and controls against data entry an aspect that cross country research indicates is moderate with the benefits of IT in terms of organization preparedness and IT governance.

Medial evidence and dangers also find their way in literature. Research warns that the cloud solutions will bring additional sources of errors (improperly configured automated rules, discrepancies in integrations between inventory and accounting modules) and reliance on external providers will lead to data integrity and continuity problems in case of a service problem (Mujalli, 2024). Additionally, occasional reviews of the larger trends in automation by audit quality audits highlight that companies and their auditors do not have any formal metrics under which they look to determine how automation influences the correctness and reliability of financial information - a critical warning in understanding that the vendor is making a statement about their claims with regard to error reduction.

There is limited research on the specific distributor firms, especially on FMCG distributors, thus the niche of this study. Normal sales of distribution companies normally involve high number of low-value, large-volume transactions and complicated movements of inventory (returns, retailer allowances, product promotions) which pose threats to the accounting systems. Case and survey experience imply that the error rate in reporting decreases when CBAS are linked to point-of-sale and inventory systems and when distribution processes are standardized, but such benefits are not often achieved by small distributors since they often do not have the ability to integrate and/or lack the maturity to govern their operations (sector reviews; IJMRA, 2025). This inconclusive evidence justifies a specific empirical study to be done on the situation of FMCG distribution in Nagpur wherein the size of the firm, level of IT literacy and market structure of the vendors will be the determinant.

## Research Gap

Overall, existing literature provides viable mechanisms of the relationship between CBAS and enhanced reporting accuracy and the determinants of documents adoption in Indian SMEs, yet there is limited empirical evidence of actual effects of enhancing financial reporting accuracy between distributors. The proposed research is based on the following gap: (1) the measure of reporting accuracy in terms of reconciling and error-rate metrics applied to distributor accounting records, (2) test before and after the implementation of CBAS adopters and non-adopters in Nagpur, and (3) identifying implementation factors (integration, training, controls) that mediate the relationship. The results will provide practical evidence to the distributors, software providers, and regulators interested in SME digitization, and trustworthy financial reporting.

**Objective:**

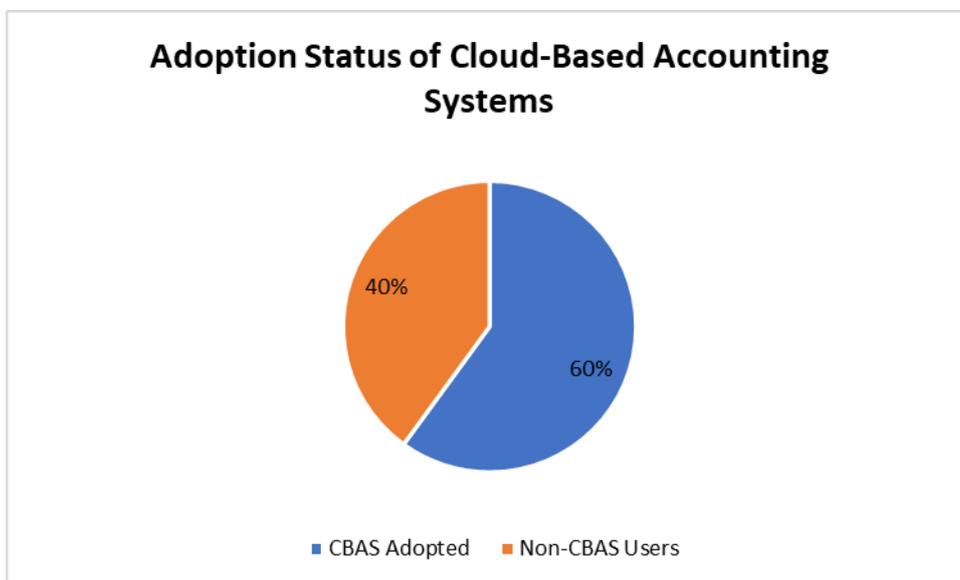
The study objective is to discuss the effect of accounting systems based on clouds on the quality of financial reporting in distributors of FMCG in Nagpur in terms of reduction of errors, timely, data reliability and effectiveness of internal controls and to examine how system integration, user competency and organizational readiness would affect the quality of reporting.

**Methodology:**

The research design used towards study is quantitative, descriptive and explanatory research design in order to determine the effects of cloud-based accounting systems on the financial reporting accurateness in distributors of FMCG in Nagpur. The primary data shall be gathered in a structured questionnaire to the owners, accountants and finance managers with the supplement of select verification of financial records. The proposed sample is around 120 FMCG distributors, who will be sampled by applying stratified random sampling so that there is representation of small distributors, medium distributors and large distributors of Nagpur area.

**Results and Discussion**

The current section will examine the collected data of 120 FMCG distributors in Nagpur with an objective of studying the influence of CBAS on the FRA. Percentage analysis, mean score analysis, independent sample t-test, correlation analysis and regression analysis were some of the statistical tools.



Among 120 FMCG distributors 60 percent of them have embraced cloud based accounting system which means that there is a moderate level of digital penetration on Nagpur distribution industry.

**Table 2: Financial Reporting Accuracy Indicators**

Indicator	CBAS Users (Mean)	Non-CBAS Users (Mean)
Error Reduction	4.28	3.12
Timeliness of Reporting	4.35	3.25
Data Reliability	4.18	3.30
Reconciliation Accuracy	4.22	3.05
Internal Control Efficiency	4.10	3.20
<b>Overall FRA Score</b>	<b>4.23</b>	<b>3.18</b>

The average FRA of CBAS users (4.23) is much greater than it is among non-users (3.18). This indicates that vendors whose accounting systems are on clouds tend to have a higher degree of financial reporting precision with regards to timeliness and less error.

To examine the hypothesis of the significant difference between the accuracy of financial reporting between CBAS users and non-users:

**Table 3: Independent Sample t-Test for FRA**

Group	Mean	Std. Deviation	t-value	p-value
CBAS Users	4.23	0.48	8.92	0.000
Non-CBAS Users	3.18	0.52		

The p-value ( $0.000 < 0.05$ ) represents that the difference in the financial reporting accuracy between the users and non-users of CBAS is statistically significant. Thus, the cloud-based accounting rate will considerably increase the effectiveness of financial reporting of the FMCG distributors in Nagpur.

To determine the connection between the level of CBAS implementation and the Financial Reporting Accuracy:

**Table 3 Relationship between CBAS and FRA**

Variables	CBAS Usage Level	FRA Score
CBAS Usage Level	1.000	0.681**
Financial Reporting Accuracy	0.681**	1.000

There is a strong positive relationship between use of CBAS and accuracy in the financial reporting and this is reflected by the correlation coefficient ( $r = 0.681$ ). The higher the system utilization the higher the accuracy of reporting.

A simple linear regression analysis was done with the aim at establishing the effect of CBAS on FRA.

**Table 4 Regression**

Model Summary	Value		
R	0.681		
R <sup>2</sup>	0.464		
Adjusted R <sup>2</sup>	0.458		
F-value	101.32		
p-value	0.000		
Variable	Beta (β)	t-value	p-value
Constant	1.245	5.21	0.000
CBAS Adoption	0.712	10.06	0.000

The value of R<sup>2</sup> at 0.464 shows that the issue of cloud-based accounting system adoption explains 46.4% of variation in the accuracy of financial reporting. The regression coefficient ( $b = 0.712$ ,  $p < 0.05$ ) proves the positive and statistically significant influence of the CBAS adoption on the accuracy of the financial reporting.

According to the empirical findings, the cloud based accounting systems contribute much in the accuracy of financial reporting among the FMCG distributors in Nagpur. The significant gains are noted in the minimization of the errors, prompt reporting, and reconciling procedures. The statistical tests (t-test, correlation and regression) prove the establishment of a strong, positive and significant correlation between financial reporting accuracy and CBAS adoption. Moreover, the training and integration of the systems are the reinforcing factors, which serve to maximize the advantages of cloud accounting implementation.

### **Conclusion**

The research concludes that the effect of the use of cloud-based accounting systems on the accuracy of financial reporting on the FMCG distributors in Nagpur is significant and positive. CBAS users have shown the level of reducing their errors, better reporting time, accuracy in their reconciliation, and efficiency in internal control than non-users. The results of the statistical analysis prove that there is strong positive correlation between the use of CBAS and financial reporting accuracy and that a significant part of the variation in the reporting results is determined by the use of the system. Moreover, user training and system integration are also some of the conditions that have a greater impact on effective cloud-based platforms. In general, the results confirm that the digital transformation in accountancy practice is effective to ensure the financial reporting by reliable and transparent reporting in the FMCG distribution sector.

### **Recommendations**

According to the results, cloud-based accounting systems should be actively implemented by the FMCG distributors in Nagpur to make reports more accurate and an efficient operational method. Nonetheless, it should not just be adopted but companies need to invest in formal user training, proper settings, and use accounting software with the inventory and billing system as well as with GST system to get maximum benefits. Distributors are also to implement internal control, periodic data audit and checkup on the data and also to have data back up measures to secure the data integrity. Vendors of software and association within the industry can liaise to offer tailor made solutions that are cost effective and specific to the small and medium distributors. The policymakers may also encourage digital adoption by creating awareness by grants and assets, to improve technological capacity in the distribution industry.

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