

A Study on the Transition from Traditional Accounting to Modern Accounting Practices in India

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Abstract

The Indian accounting sector is recently witnessing a paradigm shift which is driven by the Ministry of Corporate Affairs 2023 Audit Trail mandate and the recent rapid integration of Artificial Intelligence in India. This digital transformation has created some critical "skill gap" between traditional practitioners used to manual methods and the modern technological requirements of this profession. Consequently, this study aims to probe this generational divide, measuring the psychological impact of the 2023 digital mandates and gauging workforce readiness for AI-driven automation. Utilizing a descriptive research design with purposive sampling, the study surveyed many accounting professionals and students in Chennai through a structured questionnaire. The analysis of primary data reveals significant "Digital strain" among senior accountants, with a majority reporting a substantial increase in workload following the Enactment of mandatory edit logs. While the junior professionals demonstrate some higher adaptability, a significant part of the traditional workforce Displays resistance due to some complexity of new tools and a universal fear of job displacement by AI. The study states that successful modernization requires more than just software implementation; it needs thorough psychological and technical training skills to bridge the human skill gap, ensuring a smooth transition for the traditional workforce in an increasingly automated financial scape.

Keywords: Accounting Transition, Skill Gap, Audit Trail Mandate, Artificial Intelligence, Digital strain, Digitalization, Indian Accounting.

1. INTRODUCTION

1.1 Introduction and Contextual Background

To really understand how big the digital revolution is in India's business world we need to look at where accounting started. For a time the Indian accounting system was all about manual work with people keeping track of everything in ledgers. The basic tasks of finance like checking paper invoices and matching bank statements with cashbooks were all done by hand by accountants and audit assistants. This old way of doing things was actually pretty flexible. It was based on trust and professionals would often make changes before finalizing records. If someone made a mistake they could just fix it before the records were officially submitted. This was good for fixing problems. It was not good for keeping everything transparent and honest. It was easy for people to make changes without documenting them and sometimes people would even try to cheat. In the ten years India's economy has grown a lot and become more connected, to the global market. The old manual way of doing things became a problem. To attract investors and follow international financial rules regulatory bodies knew they had to make big changes. They could not just use a technology to fix the problem. The goal was to make financial reporting more transparent and honest and to make it happen in time. This means that financial reports would show the picture and they would be locked in digitally so that nobody could change them. The Indian accounting system, the accounting profession and the Indian economy would all benefit from this change as the digital revolution would bring big changes to the Indian accounting system.

1.2 Statement of the Problem

The way businesses use computers and technology changed a lot when the Ministry of Corporate Affairs made a rule. This rule said that all companies have to keep a record of every change they make to their records starting from April 1 2023. This record is like a diary that shows everything that happens to the records. It has to be kept safe and cannot be changed. This new rule changed the way accounting software works in India. Now all businesses have to keep track of every change they make to their money records. They have to write down who made the change what the change was and when it was made. This means that people can no longer quietly fix mistakes without telling anyone.

Some companies that make software say that their products will make everything easy and perfect.. That is not what is happening. The people who do audits are having a hard time with the new computer systems. They are used to doing things in a way but now they have to use complicated technology that they do not understand. This is causing a lot of problems because older workers are not used to the technology. They are feeling a lot of stress because

they have to learn things all the time or they will not be able to do their jobs anymore. The Ministry of Corporate Affairs rule is making audit trails or edit logs a part of accounting software, in India.

1.3 Objectives of the Study

To deeply investigate the human cost of this transition, this study focuses on the following primary objectives:

- **To systematically analyze the intergenerational skill gap:** Evaluating technological proficiency and adaptive capacity across different age and experience cohorts.
- **To pinpoint the exact triggers driving change resistance:** Categorically identifying, isolating, and mathematically ranking the specific variables that cause practitioners to resist digital adoption.
- **To quantify the prevalence of AI Anxiety versus AI Augmentation:** Investigating whether professionals view emerging algorithms as a threat to their jobs or as productivity-enhancing digital co-pilots.

1.4 Scope and Limitations

This research is geographically confined to accounting professionals, audit assistants, and commerce students operating within the commercial ecosystem of Chennai, India, specifically capturing the immediate shock of the 2023–2024 financial compliance cycle. While the sample of 101 respondents is statistically robust for identifying behavioral trends, it lacks the macroeconomic power of a multi-city national survey and relies on self-reported, cross-sectional data.

2. REVIEW OF LITERATURE

2.1 Synthesis of Key Literature

The shift from traditional to accounting in India has been studied a lot.. Most of these studies focus on technology and economics and not on how people are affected. Researchers like Chordia et al.. Joshi have looked at how accounting has changed over time. They say that whenever theres a change in technology it causes problems for accountants. A big change happened in 2023 with the MCA Audit Trail rule. This rule made it necessary for companies

to keep a record of all their accounting transactions. Lee and Davis had predicted that this change would have an impact. They said that having a digital record would change how accountants are held responsible and would lead to constant digital checks. This new system along with the use of Artificial Intelligence has caused a lot of stress for accountants. Sharma and Gupta call this stress "stress." They say that experienced accountants have to learn skills quickly which can be tough. They have to give up the way they have been doing things for years and learn cloud-based systems. There is also a problem with the skills that accountants have. Adams and Miller and Nair and Sen say that there is a gap in skills. They think that schools are not teaching students the digital skills they need. This means that new graduates are good with technology. They don't have the experience to do audits well. On the hand experienced accountants have the experience but they are not good with technology. The shift to accounting is causing a lot of disruption in the accounting profession, in India.

2.2 Theoretical Framework & Research Gap

This study uses the Technology Acceptance Model, the idea of stress and Kotter's Change Management principles to understand why people resist change. When you look at all the information you can see that there is a problem that needs to be solved: we know that digital accounting has many benefits but we do not know how it affects people. There is not research, on how the 2023–2024 MCA compliance cycle affects people like the stress they feel when they have to deal with new technology the anxiety they feel about Artificial Intelligence and the problems they have when they try to adapt to new systems. This study is going to provide the information that is missing.

3. RESEARCH METHODOLOGY

3.1 Research Design and Sampling

This study uses a Descriptive and Analytical Research Design to measure the "Human Cost" of moving from manual accounting to digital systems. The goal is to turn experiences into numbers. The research focuses on accounting professionals, audit assistants and commerce students in Chennai. We chose 101 people on purpose because they worked with the 2023-2024 financial compliance cycle. Most of them are well-educated with degrees like B.Com, M.Com, CA or CMA. This ensures that if they struggle with software it's because of the technology not because they don't understand accounting. The group has a mix of ages

and experience levels from graduates to those with, over 15 years of experience. This helps us compare how different generations handle technology. The Human Cost is what we're trying to understand. The Human Cost of changing to systems is what we're trying to figure out.

By strictly adhering to this rigorously quantitative analytical framework, the research ensures the high validity and reliability of its findings. The conclusions presented in Chapter 4, and the strategic recommendations detailed in Chapter 5, are not derived from theoretical assumptions, intuitive judgments, or anecdotal practitioner testimony. Instead, they represent the direct and traceable result of empirical data extracted from the Chennai commercial sector, subjected to multi-tiered statistical scrutiny, and systematically transformed into targeted, evidence-based strategies to mitigate the human cost of the digital accounting revolution in India.

4. DATA ANALYSIS AND INTERPRETATION

4.1 Objective 1: Intergenerational Skill Gap

The data mathematically proves the existence of a "Dual Deficit" on the audit floor. Older practitioners struggle with software navigation, while younger practitioners lack foundational auditing context.

- **The Continuous Learning Curve:** While initial transition friction is moderate, the friction regarding *continuous updates* is severe. Correlation analysis shows a moderate positive correlation ($r = 0.52$) between Age and the time taken to learn new software updates.
- **The Isolation Effect:** Counter-intuitively, older, struggling practitioners are statistically *less* likely to ask junior staff for help (negative correlations ranging from $r = -0.15$ to $r = -0.17$).

4.1 Table: Intergenerational Skill Gap

Particulars	Age Group	Software adaptability
Age Group	1	0.521
Software adaptability	0.521	1

The data reveals a "Dual Deficit" on the audit floor, where older practitioners possess deep auditing knowledge but struggle with software agility, while younger staff navigate technology easily but lack foundational context. This divide is worsened by an "Age-Tech Penalty," shown by a moderate positive correlation ($r = 0.521$) indicating that older staff take significantly longer to learn software updates. Most concerning is the "Isolation Effect" (a negative correlation around $r = -0.16$), which shows that older, struggling practitioners actively avoid asking junior staff for technical assistance. Ultimately, this pride or communication barrier prevents crucial "reverse-mentoring," leaving both the technical gap and the knowledge gap unresolved.

4.2 Objective 2: Triggers Driving Change Resistance

The regression and ANOVA analyses completely dismantle the myth that practitioners resist digital accounting out of mere stubbornness; resistance is a highly rational response to systemic design and economic flaws.

- **Economics and Perception:** A highly significant ANOVA result ($p = 0.0017$) confirms that those who find the software "expensive" have the most negative professional outlook (mean 1.27), followed closely by those who find it "complicated." Crucially, those who simply "prefer traditional methods" hold a relatively neutral outlook.
- **The Ergonomics of UI:** A highly significant result ($p = 0.0008$) proves that severe cognitive barriers, such as "understanding features," cause far greater adaptation delays than simple operational fears like accidentally deleting data.

4.2 Table: Triggers Driving Change Resistance

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	4.734	2	2.367	6.796	0.001	3.089
Within Groups	34.136	98	0.348			
Total	38.871	100				

The statistical analysis thoroughly debunks the myth that practitioners resist digital accounting out of mere stubbornness, revealing instead that their pushback is a rational response to systemic design and economic flaws. A highly significant ANOVA result ($p = 0.001$) proves that cost and poor return on investment are the primary drivers of negative

attitudes, whereas practitioners who simply "prefer traditional methods" remain surprisingly neutral. Furthermore, the data highlights that poor user interface ergonomics—specifically the heavy cognitive burden of trying to understand complex features—cause far greater adaptation delays than basic operational fears like accidentally deleting data. Ultimately, this demonstrates that to successfully drive adoption, leadership must stop treating resistance as a behavioral issue and instead focus on clearly justifying the software's cost while migrating toward tools with drastically simplified, intuitive interfaces.

4.3 Objective 3: AI Anxiety vs. AI Augmentation

The workforce is heavily polarized regarding AI, but this fear does not universally poison their view of the digital transition as a whole.

- **Compartmentalized Fear:** Regression analysis shows that AI Anxiety is completely statistically insignificant ($p = 0.414$) as a predictor of a practitioner's *overall* perception of the digital transition.
- **The Generative AI Divide:** A T-Test reveals a significant positive relationship ($p = 1.81E-09$, $r = 0.402$) between active engagement with AI tools (like ChatGPT) and a highly positive overall view of the digital transition.

4.3 Table: AI Anxiety vs. AI Augmentation

Metric	Value	Source	df	SS	MS	F	Significance F
Multiple R	0.196	Regression	2	1.498	0.749	1.964	0.145
R Square	0.038	Residual	98	37.372	0.381		
Adjusted R Square	0.018	Total	100	38.871			
Standard Error	0.617						
Observations	101						

Variables	Coefficient	Standard Error	t Stat	P-value
Intercept	1.985	0.325	6.091	2.193*
Trust Level	-0.271	0.148	-1.822	0.071
"AI" role in Job	0.126	0.154	0.819	0.414

The data reveals a fascinating disconnect between general AI anxiety and the broader digital transition on the audit floor. Your analysis demonstrates that a practitioner's fear of AI is highly compartmentalized; it is statistically insignificant ($p = 0.414$) as a predictor of their overall outlook on digital accounting tools, meaning that AI apprehension doesn't automatically poison their willingness to adopt new software. Conversely, active engagement with generative AI acts as a powerful catalyst for positive change, evidenced by a highly significant relationship ($p = 1.81 \times 10^{-9}$, $r = 0.402$) between hands-on AI use and a favorable view of the transition. Ultimately, this means leadership shouldn't worry too much about general AI fears derailing digital adoption, and should instead focus on getting practitioners actively experimenting with AI tools to drastically improve their overall digital buy-in.

4.4 Table: Consolidated Core Findings

Objective	Core Finding	Primary Statistical Evidence	Strategic Implication for the Transition
1. Skill Gap	The Dual Deficit & Isolation: Veterans struggle with continuous updates, and professional pride prevents them from seeking vital help from juniors.	Correlation: Age vs. Learning Updates ($r = 0.52$); Age vs. Asking for Help ($r = -0.15$)	Firms must flatten hierarchies and formally institute reverse-mentoring programs that do not penalize or embarrass veteran practitioners.
2. Change Resistance	Economics & Ergonomics: Resistance is a rational response to prohibitive costs (for SMEs) and severe cognitive overload caused by poor, IT-centric software UI.	ANOVA: Root Cause vs. Perception ($p = 0.0017$); Difficulty Type vs. Speed ($p = 0.0008$)	Software developers must co-design interfaces with practicing accountants; policymakers should consider subsidized tech access for regional SMEs.
3. AI Anxiety	Compartmentalized Fear: AI anxiety exists but does not drive overall transition resistance. Active AI use strongly correlates with	Regression: AI Anxiety predicting Overall Perception ($p = 0.414$); T-Test:	Organizations should encourage hands-on, low-stakes AI experimentation, actively reframing AI as a co-pilot rather than a

	viewing technology as an augmentation tool.	AI Use vs. Perception (r = 0.402)	replacement.
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5. CONCLUSION

5.1 Major Findings and Literature Synthesis

This study looked at the impact of India's digital accounting change during 2023-2024. We found that many accountants are struggling. Some experienced accountants are having trouble with software while younger ones lack experience in checking accounts. We also found that many accountants are too proud to ask for help. This makes it hard for them to adjust to software. The study agrees with research that strict rules have caused stress. Many accountants do not trust automated calculations. Use manual methods secretly. The study shows that resistance to change is mainly due to costs for small businesses and poorly designed software. To solve these problems we need to take action, For Government and Regulators: Offer tax help and tech grants to businesses. Make sure software is easy to use for accountants. For Accounting Firms: Change office rules. Let younger accountants train ones without fear. Provide training on new software features. For Professionals: Try using AI tools. Let go of methods and use digital tools to improve your work.

5.2 Limitations of the Study

This study only looked at 101 accountants in Chennai. It does not represent all of India. The study only looked at the impact of new rules. It did not study long-term changes.

5.3 Conclusion

The shift to accounting is a big change, for India. But the main problem is not the technology it is people. New rules have caused stress. Exposed a big skill gap.. Accountants are resilient. If regulators, firms and developers help accountants with their needs the Indian accounting profession will succeed.

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