

The Digital Revolution in Accounting: Addressing Transparency Challenges in Bangladesh

Jumman Sani*

Faculty of Business Administration, University of Development
Alternative (UODA), Bangladesh.

Corresponding Author: Jumman Sani, Faculty of Business
Administration, University of Development Alternative
(UODA), Bangladesh.

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Abstract

The global trend toward digital transformation highlights how technology may improve accounting accountability, transparency, and fraud prevention. However, laborious procedures, corruption, and erroneous data are problems in poor nations like Bangladesh. This study looks at how digital tools and fin-tech may increase data accuracy, efficiency, and real-time reporting. Notwithstanding these advantages, adoption is hampered by issues such as a lack of infrastructure, difficulties with regulations, cultural resistance, and a lack of skilled workers. Research shows a digital divide, with 15% of SMEs adopting digital technologies compared to 65% of large firms. Solutions include government funding, financial incentives, capacity-building, legislative changes, and awareness raising.

Keywords: Accounting, Transparency Challenges, Cultural Resistance, Financial Incentives, Government Funding, Legislative Changes, Digital Technology

1. Introduction

Recent years have witnessed growing interest towards using technology and digital solutions to enhance accounting transparency and promote accountability as well as mitigate financial fraud. Traditional accounting systems are encountering difficulty in developing nations such as Bangladesh, which includes laborious manual processes, insufficient timely and accurate financial data, and corruption. Fintech can help overcome these challenges through real-time reporting, accurate data generation and easier-date accounting processes, increasing stakeholder trust. Governance frameworks and resources are so limited in the public and business sectors of Bangladesh that society suffers from financial misreporting and inefficiencies. Digital technologies are used to enhance the accuracy of accounting and financial integrity, making data more accessible, improving financial reporting and auditing standards, and automating accounting processes that help to establish a framework for higher financial accountability standards. In Bangladesh, the situation is complicated by the socio-political fabric of the country and as such, the adoption of digital accounting solutions has not been in demand here. Existing financial systems are complicated by political instability, regulatory gaps, infrastructure limitations, and resistance to change. This study seeks to develop a better understanding of the need for accounting practices in Bangladesh to adopt digital solutions, particularly those related to fin-tech, in order to address its transparency and accountability needs. Inclusion of key stakeholders, such as accounting professionals, business owners, regulators, technology providers, and academics. The results will

advance our understanding of digital accounting techniques globally and provide useful suggestions for how companies, governments, and regulatory agencies may better use technology to address challenges of financial transparency and governance.

1.1. Literature Review

An extensive analysis of the literature on "Accounting for Transparency in Bangladesh" emphasizes how accounting procedures are becoming more and more important in promoting openness, especially in Bangladesh's public and corporate sectors. Transparency in accounting is essential for building public, stakeholder, and investor trust and has become more significant in light of Bangladesh's economic growth. However, attaining financial transparency has proven to be a persistent problem, mostly because of weak corporate governance frameworks, insufficient regulatory frameworks, and ineffective enforcement mechanisms. According to early research, these problems are major obstacles to increasing transparency [1,2]. The government and the Bangladesh Securities and Exchange Commission (BSEC) have strengthened financial transparency laws and introduced International Financial Reporting Standards (IFRS), among other reforms. However, because of subpar execution and enforcement procedures, these reforms frequently fall short of achieving meaningful transparency [3].

For instance, problems like political meddling, auditors' lack of independence, and pervasive corruption continue to exist despite BSEC's efforts to enhance financial reporting,

resulting in a discrepancy between regulatory goals and actual practices [4,5]. The important part company governance plays in maintaining accounting transparency is a recurring issue in the literature. Research indicates that inadequate governance frameworks in a large number of Bangladeshi businesses lead to poor accountability and financial misreporting [6]. The capacity to guarantee transparent financial reporting is jeopardized by weak independent monitoring and inefficient auditing procedures. The function of auditors has been a major topic in this respect, with research highlighting how crucial high-quality audits are to promoting transparency. Even while auditors are present, their efficacy is frequently compromised by a lack of institutional support and a lack of professional expertise [7]. Furthermore, it has been determined that one crucial area that requires development is transparency in the public sector. According to several studies, Bangladesh's public sector accounting is tainted by weak internal controls, wasteful resource utilization, and subpar financial reporting procedures, all of which impede transparency [8].

The effectiveness of government reforms is weakened and corruption is made worse by the public sector's weak commitment to accountability and openness [9]. Furthermore, one major aspect that makes the implementation of accounting transparency reforms more difficult is Bangladesh's unstable political and economic climate. Public trust in financial reporting is further undermined by political instability, which frequently results in uneven regulatory practices and erratic application of accounting rules [10]. These initial conclusions have been supported by recent research, which also provides a more sophisticated knowledge of the nuances of accounting transparency in Bangladesh. Stronger legal frameworks, better enforcement mechanisms, and greater accountability among financial managers could all improve transparency, according to Hossain et al., who examined the larger sociopolitical issues influencing the efficacy of financial regulations [5]. To guarantee that they can fulfill worldwide reporting criteria, they also underlined the necessity of enhancing the abilities of accounting professionals, who are now undertrained. Similar worries were expressed in a research by Shil, which noted that the corporate sector in Bangladesh is still struggling with problems pertaining to internal controls, the caliber of financial reporting, and the ability of its auditing profession [11]. Shil also emphasized how regulatory organizations like the Institute of Chartered Accountants of Bangladesh (ICAB) may encourage better accounting procedures, but he pointed out that the group does not have the resources necessary to properly enforce rules. The significance of technology and digitization in improving accounting transparency is also shown by recent

advancements in the sector. In recent years, research has focused on the role of financial technology, or fintech.

According to Rahman, digital platforms have the potential to promote openness in the public and corporate sectors, decrease corruption, and enable real-time financial reporting [12]. Bangladesh might gain by implementing cutting-edge technical solutions to improve financial reporting practices, since this tendency is consistent with global trends towards digital transformation in accounting practices. Nevertheless, the adoption of these technologies would necessitate a large investment in professional development, infrastructure, and legal frameworks. In conclusion, there are still a lot of obstacles to overcome even if Bangladesh has improved accounting transparency [13-20]. These include insufficient corporate governance frameworks, lax implementation of current laws, and the ongoing impact of political unrest on financial operations. A multimodal strategy is required to improve transparency, including the development of accounting professionals' capacity, stricter regulatory frameworks, rigorous audit procedures, and the advancement of digital financial technologies. According to studies, maintaining long-term gains in accounting transparency in Bangladesh requires cultivating an accountability culture in both the public and private sectors.

2. Methodology

A qualitative research design is used in this study to investigate the perspectives and experiences of different parties engaged in financial transparency and accounting in Bangladesh. The study involved semi-structured interviews with a purposive sample of 25 participants, which included academics with expertise in both accounting and technology, company leaders, regulators from the Bangladesh Securities and Exchange Commission (BSEC), fintech developers, and accounting professionals. The information was gathered over a three-month period by employing an interview guide to find out what participants thought about how digital solutions affected accounting transparency. With an emphasis on finding recurrent themes and patterns in replies about the opportunities and challenges related to technology adoption in the accounting profession, thematic analysis was used to examine the qualitative data.

2.1. Analysis

The analysis, which focuses on awareness, adoption, hurdles, and opportunities, offers a thorough understanding of how digital technologies affect accounting transparency in Bangladesh.

2.1.1. Adoption Rates of Digital Accounting Systems

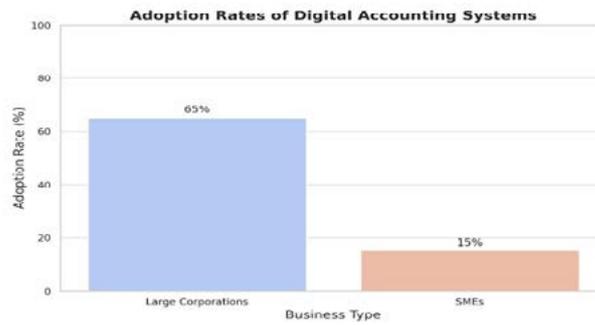


Figure 1

The difference in digital accounting system adoption rates between Bangladeshi SMEs and major enterprises is depicted in this chart. With 65% of large firms currently incorporating digital technologies into their accounting procedures, the adoption rate is noticeably higher. SMEs, on the other hand, have a far lower adoption rate of 15%, which reflects difficulties in obtaining and putting such systems in place. This discrepancy draws attention to the "digital divide," in which larger companies enjoy the advantages

of having the infrastructure and resources required for technology integration [21-24]. However, SMEs frequently encounter obstacles relating to money, infrastructure, and expertise, which restricts their capacity to implement these cutting-edge solutions. The information emphasizes the necessity of focused regulations and assistance to promote and facilitate SMEs' use of digital accounting systems.

2.1.2. Prevalence of Barriers by Business Type

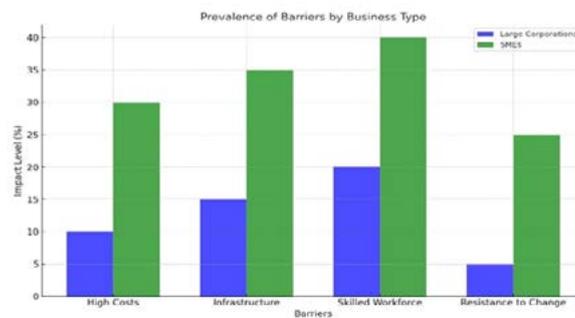


Figure 2

The graph shows how common it is for SMEs and big businesses in Bangladesh to face obstacles when implementing digital accounting systems. The obstacles faced by SMEs are substantially greater than those faced by large businesses [25-31]. High expenses (30%) and a shortage of competent labor (40%) are the biggest obstacles facing SMEs, followed by poor infrastructure and change aversion. Large firms, on the other hand, claim little effect from these obstacles, with infrastructure and a qualified

personnel being less important. Although it is marginally greater for SMEs, resistance to change is noticeably low for both categories. This data emphasizes how important it is to provide focused interventions, such staff training, inexpensive solutions, and better infrastructure, in order to help SMEs embrace digital and close the gap with larger businesses.

2.1.3. Opportunities for Transparency Improvement



Figure 3

The graphic identifies four major chances to use digital technologies to improve accounting transparency. At 80%, real-time financial reporting has the most impact level, allowing companies to keep timely and accurate records [32-38]. At 75%, improved regulatory monitoring comes next since digital technologies make it easier for regulators to keep an eye on compliance. At 70%, fraud and human mistake are reduced, demonstrating how automation reduces anomalies in financial data. Finally, as accountability

and openness increase with digital use, public trust has increased to 65%. In economies like Bangladesh, where these developments can close significant gaps in governance and management practices, these findings highlight the revolutionary potential of digital tools in establishing a transparent financial environment, building confidence, and promoting compliance.

2.1.4. Internet Access: Urban vs Rural

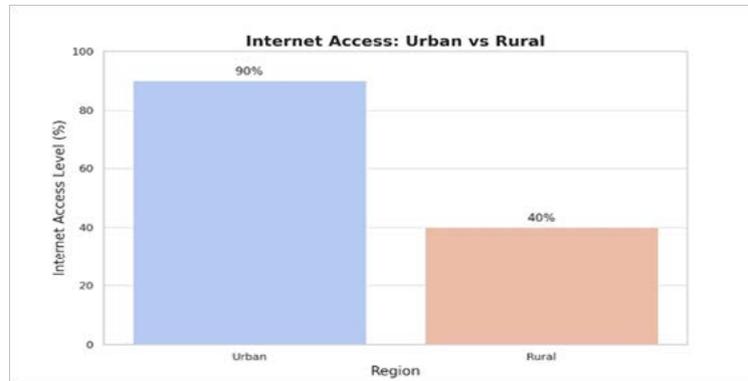


Figure 4

The graph illustrates a notable digital gap in Bangladesh by comparing internet connectivity levels in urban and rural areas. The 90% internet access rate in urban areas suggests greater infrastructure to support digital activities and widespread connectivity. With only 40% of people having internet connection, rural areas, on the other hand, fall far behind, underscoring the lack of digital services and infrastructure issues. This discrepancy further marginalizes small enterprises in rural areas by posing obstacles to the adoption of digital accounting systems and other technologies. Investments in rural connectivity, reasonably priced internet services, and infrastructure development are necessary to close this gap, guarantee fair access to digital technologies, and promote inclusive economic growth nationwide.

2.2. Findings

The study demonstrates that although digital technologies have a great deal of promise to improve accounting transparency in Bangladesh, a number of cultural, legal, and technical obstacles are impeding their adoption. The following are the main conclusions:

• Slow Adoption in SMEs

SMEs are slow to adopt advanced digital accounting solutions due to high upfront costs and limited awareness of long-term benefits. Larger firms with greater resources and infrastructure are more likely to adopt these technologies. However, SMEs often perceive digital tools as complex and unnecessary, causing slower integration.

• Infrastructure and Training Deficiencies

The accessibility and reliability of digital accounting tools are limited by insufficient technological infrastructure, particularly in rural areas, and a significant skills gap among accounting professionals, with limited access to high-speed internet and outdated hardware.

• Regulatory and Compliance Challenges

The Bangladesh Securities and Exchange Commission

(BSEC) faces challenges in adapting to the rapid growth of digital accounting technologies, with outdated regulations failing to address the complexities of digital financial reporting, leading to ambiguity for businesses and a pressing need for updated regulatory frameworks.

• Cultural Resistance to Change

Traditional accounting methods are still preferred in both public and private sectors due to fear of data breaches, errors, and loss of control. Resistance is fueled by a lack of trust in digital systems, lack of awareness about efficiency and accuracy benefits, and a reluctance to disrupt workflows.

• Economic and Resource Constraints

The high cost of digital accounting systems, limited access to financing for technology investments, and resource constraints, such as a shortage of IT professionals and support services, pose significant barriers to the adoption of digital solutions by SMEs.

• Data Security and Privacy Concerns

Businesses are concerned about cybersecurity threats and data breaches, which could compromise sensitive financial information. The absence of robust data protection laws and enforcement mechanisms further discourages firms from transitioning to digital platforms, while standardized protocols for data encryption and secure storage undermine confidence.

• Limited Collaboration and Awareness

The adoption of digital accounting tools is hindered by insufficient collaboration between government agencies, private sector stakeholders, and technology providers, and lack of awareness campaigns and educational initiatives, especially for SMEs and rural businesses, resulting in slow and uneven adoption of digital technologies.

Bangladesh's digital technologies offer significant opportunities for accounting transparency, but overcoming challenges will require a comprehensive approach that includes

infrastructure development, regulatory updates, capacity building, and cultural shifts.

2.3. Recommendations

To address the challenges identified and enhance the adoption and effectiveness of digital technologies in improving accounting transparency in Bangladesh, the following recommendations are proposed:

• Government Investment in Digital Infrastructure

The plan involves enhancing access to digital accounting tools in rural and underserved areas through high-speed internet and reliable power supply, and establishing public-private partnerships for sustainable and scalable technological infrastructure.

• Financial Incentives for SMEs

Implement subsidies, grants, or low-interest loans to help SMEs finance digital accounting adoption, and provide tax incentives for certified platforms to encourage wider adoption.

• Capacity Building and Training Programs

Collaborate with educational institutions, professional bodies, and industry experts to design and deliver targeted training programs for accounting professionals, including online certification courses and workshops in digital tools, data analytics, and cybersecurity.

• Public Awareness Campaigns

Launch nationwide campaigns to educate businesses, especially SMEs, about digital accounting benefits like improved accuracy, efficiency, and transparency. Utilize case studies and success stories to counter skepticism and resistance.

• Strengthening Regulatory Frameworks

The proposed amendments aim to modernize financial reporting regulations to comply with international standards and incorporate digital technologies, while also providing clear guidelines for fin-tech platforms.

• Cybersecurity and Data Protection Measures

Implement robust data protection laws, mandate encryption, secure storage, and regular cybersecurity audits for businesses adopting digital accounting tools to protect sensitive financial information.

• Promoting Collaboration Between Stakeholders

The initiative aims to promote digital adoption by fostering collaboration among government agencies, regulatory bodies, private sector stakeholders, and technology providers, and establishing task forces to address implementation challenges.

• Development of Affordable and User-Friendly Solutions

The initiative encourages technology providers to create cost-effective, scalable, and user-friendly digital accounting solutions for SMEs, while also promoting open-source platforms for budget-conscious businesses.

• Integration of Digital Accounting in Education

The project includes working with international organizations to incorporate global experience into regional educational frameworks and incorporating fin-tech and digital accounting modules into professional certification programs and university curricula.

• Monitoring and Evaluation Mechanisms

A centralized body will oversee digital accounting technol-

ogy adoption across industries, conducting regular assessments to identify gaps, measure progress, and refine strategies for continuous improvement.

• Incentivizing Early Adopters

Recognize and reward businesses that successfully implement digital accounting solutions through awards, certifications, or public acknowledgment, and use early adopters as ambassadors to promote digital transformation benefits.

• Addressing Cultural Resistance

Engage community leaders, industry associations, and influencers to promote digital technology adoption and overcome cultural barriers, while offering hands-on demonstrations and pilot programs to stakeholders.

• Standardization of Digital Reporting Practices

In order to improve credibility and transparency, the project entails developing standardized digital financial reporting templates and processes and working with international organizations to match regional standards with international best practices.

• Enhancing Access to Financing for Technology Adoption

Collaborate with financial institutions to develop specialized loan programs for SMEs to invest in digital accounting technologies, and promote microfinance institutions to incorporate digital tools into their support packages.

• Regular Policy Reviews and Updates

Implement a regular review and update mechanism for digital accounting policies, involving stakeholders in policy formulation to ensure practicality, relevance, and widespread acceptance of regulations.

The recommendations aim to improve transparency and efficiency in financial reporting in Bangladesh by overcoming existing barriers and promoting widespread adoption of digital accounting technologies [39-42].

3. Conclusion

In Bangladesh, the study emphasizes how digital technologies may improve accounting accountability, transparency, and fraud prevention. SMEs are especially slow to adopt fintech and digital solutions, despite the fact that they present potential paths to accurate data collection, real-time reporting, and simplified accounting procedures. With large enterprises adopting digital accounting systems at a far higher rate (65%) than SMEs (15%), the data show a major digital divide. This is mostly due to hurdles related to cost, infrastructure, and skill. Digital accounting solutions' widespread adoption is further hampered by cultural opposition, ineffective regulations, data security issues, and a lack of cooperation among stakeholders. The analysis offers a wide range of suggestions to address these issues, such as government funding for digital infrastructure, financial incentives for SMEs, capacity-building initiatives, updating of regulations, and public awareness campaigns. In addition to strengthening Bangladesh's overall financial governance structure, these initiatives seek to close the digital divide and promote an accountable culture. Bangladesh might establish a standard for other developing countries dealing with comparable issues by utilizing digital technologies in addition to increasing its accounting openness. The report emphasizes

that in order to successfully integrate digital accounting systems and eventually support sustainable economic growth and enhanced stakeholder trust, a cooperative, multi-stakeholder strategy is required.

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