

Overall Effect of Cloud-Based Accounting on Financial Information Quality of Organizations

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ABSTRACT

This paper explores the overall effect of cloud-based accounting in enhancing financial information quality of organizations. Respondent demographics indicate a majority of female participants (57.1%) and those aged 31–44 years (52.6%). Educational qualifications showed 51.8% held a B.Sc, with MBA/M.Sc holders at 36.8%. The findings reveal that 63.9% of respondents agree on the benefits of cloud-based accounting for financial information quality, and 67.7% affirm its potential in reducing operational costs and increasing profitability in SMEs. Conversely, 62.4% of respondents disagree that real-time data access enhances managerial decision-making. Nonetheless, scalability features were largely recognized for sustaining profitability during growth. Chi-square analysis supports the hypothesis that cloud-based accounting systems improve financial information quality, reduce operational costs, and support scalability and growth. In conclusion, the findings underscore the significant impact of cloud-based accounting on financial information quality and profitability within organizations, especially in SMEs. The study reveals that while scalability and cost reduction are widely recognized benefits. Overall, the analysis confirms the potential of cloud accounting as a strategic tool in sustaining organizational growth, reducing operational costs, and improving financial oversight. These insights highlight the need for organizations to leverage cloud-based solutions to foster efficiency and long-term profitability.

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According to Mishra and Mohanty (2017), cloud accounting is online accounting that functions like a computer program on users' computers but provides services over the Internet and permits access from remote servers. Additionally, Christauskas and Miseviciene (2012) described a cloud-based accounting system as a way to manage business accounts entirely online and attained as a service, on-demand, acting similar to accounting software installed on users' computers, but performed on servers and accessible by users through their web browsers.

Accounting, like most other fields, is evolving continuously due to its dynamic nature and worldwide technological advancement. The invention of cloud technology has positively affected the field of accounting. Accounting, using the services of cloud computing has upgraded itself to a new era called cloud accounting. As new and advanced software are being introduced, people are gradually shifting from the desktop accounting system to the cloud accounting system. The introduction of cloud accounting has brought more pace in regular business operations.

In cloud system, services like data and software can be accessed from anywhere and anytime using the internet or other networking devices via the service provider of the cloud application. (Sohhan 2019). Accounting principles and practices have been advancing rapidly in today's business world and while the rules of the global economy are more or less constant, the advancement in technology, the emergence of cloud accounting, has made the accounting system more potent than it was (Deeksha et al, 2016). Cloud accounting software should adapt with typical businesses faster to keep up with the new anticipation of customers as demand for cloud accounting becomes apparent. (Johnson ,2019) Cloud accounting is usually managed by Cloud

service providers (CSPs). Cloud services are accounts stored on a server. Companies can either choose dedicated cloud services or shared cloud services depending on their budgets. Cloud accounting software is generally believed to be faultless since it allows the access of cloud-based software from any device with an internet connection without excluding small business owners. With software that can fit into a whole ecosystem of adjuncts, cloud accounting appears to be quicker, more consistent, and cost-friendly (Rao et al 2018). The automation of accounting can be traced back to the 1950s (Dimitriu, & Matei, 2015). The occurrence of cloud accounting has profoundly enhanced the practice of accounting. Although, the use of accounting software has been invoked in the past decades, its potential over the years has been rather progressive leading to more sophistication in the recording, storage and interpretation of accounting data or financial information. The availability of cloud accounting over the network is processed through standard mechanisms that help promote thin or thick client stages such as mobile phones, laptops, and Personal Digital Assistants (PDAs). The adaptation of the cloud accounting system enables technologies provide the path towards achieving efficient and sustainable online data service to the target market. Generally speaking, cloud accounting is recommended for a lot of reasons.

Financial reports must adhere to certain qualitative standards in order to be of high quality and serve their intended function. Both the IASB and FASB boards come to the same conclusion in their conceptual frameworks that high quality is achieved by adhering to the objective and qualitative characteristics of financial reporting information. The qualitative characteristics are the attributes that make the financial information useful and are distinguished as fundamental or enhancing, depending on how they affect the usability of the information (Okoye, Adeniyi & Ajala, 2022)

In recent years, corporate businesses have embraced the new paradigm of cloud accounting to close the gap between it and traditional accounting systems. Businesses are generally influenced by the internet's immense potential, the digitization of business, the implications of data storage, and the increasing importance placed on data mining and data efficiency as they relate to this technology. Businesses that adopt this cutting-edge technology may benefit from easier accessibility, lower costs for computer components and labor, more accurate and precise reports, improved communication, and other things. Cloud accounting has been the subject of a sizable body of literature, though it is primarily exploratory.

According to Gupta et al., (2017) computerized accounting is a very useful tool in the field of accounting because of its obvious advantages over the manual accounting system. However, despite the advantages of the computerized accounting organizations still struggle with some of its disadvantages. For instance, computerized accounting requires a hard disks and other storage devices to backup data and in an event of a fire incident or theft, the data will be lost forever. Most desktop software model requires that you buy the package with a large, up-front cost, followed by an expensive upgrade to keep your software up-to-date and performing reliably. Due to the advantages of cloud-based accounting, researchers have done lots of studies on cloud-based accounting and its challenges, adoption and impact on business. However, none of the papers reviewed narrowed Cloud-based accounting to a particular cloud-based accounting client and how it affects an organization(s). Therefore, this study will examine the overall effect of cloud-based accounting on the financial management and operational efficiency of the chosen client organization.

Bogdan et al (2013) offer a generally acknowledged definition, stating that the quality of financial information is complete and transparent financial information that is not intended to deceive users. Financial reporting quality refers to how accurately and truthfully a financial statement informs us about the state and performance of an organization's finances (Okoye, Ajala & Adeniyi, (2023)

The following objectives are discussed i. To examine the overall effect of cloud-based accounting on the financial management and operational efficiency of the chosen client organization. ii. To analyze the Impact of Cloud Accounting on Operational Cost Reduction and Profitability in Small and Medium Enterprises (SMEs)".

This study of effect of cloud accounting on organizational profitability lies in the transformative impact that cloud-based solutions have on business operations and financial management; it can provide insights into how cloud accounting can reduce operational costs associated with traditional accounting methods. By exploring cost savings related to software maintenance, infrastructure, and personnel, organizations can better understand the financial implications of transitioning to cloud-based accounting systems.

According to Smith et al. (2018), traditional accounting systems are unable to meet the demands of modern accounting since they need a lot of manual data entry, whereas cloud-based accounting significantly reduces the amount of time that accountants must spend performing these duties. File sharing across the company network to numerous different computers, tablets, laptops, and the like is ensured by cloud accounting. Even when the accountant is not immediately available, files can still be retrieved. The degree of access that people have to your data can also be controlled, and it also enables the Government laws, concerns about data security, and a lack of infrastructure all hinder the development of cloud accounting in Nigeria.

The paper is anchored on the theory of Diffusion Of Innovation theory (DOI), Innovation is an overview of any "idea, practice or object that is perceived to be new" (Rogers, 2003). He opined that an innovation has two parts. It is perceived at the first stage as the generation of an idea and seconded by the conversion of new idea into a business. Scholars attempted to elaborate on innovation as something really new, either an invention, a new combination (Rogers, 2003), or something subject to the dimensions, such as product innovation or process innovation. The keyword of this construct is perception. As the case

demonstrates, in order to diffuse new enterprise systems internally, communication must involve interpersonal interactions among the internal staff, personal persuasion, emails, and finally, a formal business case document. External diffusion includes the Request for Information (RFI) taking the form of newspaper advertisements and uploads to a government website, and the Request for Proposal (RFP) sent to the short-listed vendors.

Onyali, (2015) explored a conceptual paper on the comparison of traditional packages of cloud computing and accounting on corporate performance. The study unveil the lacuna in the traditional accounting packages and the advantage of adopting cloud software accounting. The scholar recommended that it is utmost necessary for companies to adopt the cloud computing to improved performance.

Chinyao, Yahsueh & Mingchang (2011) explored the adoption of cloud accounting and financial performance of high-tech industry. The study obtained data through questionnaire from 111 firms in Taiwan and regress using the logistic regression method. The study found that relative advantage, top management support, firm size, competitive pressure, and trading partner pressure characteristics has a significant effect on the adoption of cloud computing. The study recommended that firms should put into consideration their investment technologies before adopting the cloud computing.

Haslinda et al. (2017) researched Cloud Computing Adoption in Organizations. The review of prior material on distributed computing has been done in order to identify its key components and how they were operationalized. The three settings—innovation, association, and condition—recommended by the Technology Organization-Environment (TOE) approach are used by the scientists to order the factors affecting distributed computing reception. The results of the analysis showed that these factors have different effects on different research, and that many of these investigations have operationalized the adoption of distributed computing or the double factor rather than actually using the innovation.

Al-zoubi (2017) examined the Effect of Cloud Computing on Elements of Accounting Information System, The examination recognizes the effect of Cloud Computing on the Elements of the Accounting Information System spoke to by: Establishment “ Bookkeeping Entity.”, Financial Operations, Documents, Accounting Books, Financial Reporting, Users, Procedures, Software, and Physical Devices. The examination gathered past writing on distributed computing and data innovation and studies their effect on bookkeeping data frameworks. The examination discovered that Cloud accounting lead to Reducing the size of the venture as far as the structure and the workplaces since they permit property anyplace without the executives’ responsibility to a particular area, improving operational execution as far as encouraging the finishing of activities and exact bookkeeping tasks.

The study adopted a case study design; MTN Nigeria headquarter was selected as a case study for this research. The Population of this study consisted of 200 (just 133 are used) employees which were selected from the management and accounting departments.

Table 1.1: Sex of the Respondents

Response	Frequency	Percent
Male	57	42.9%
Female	76	57.1%
Total	133	100.0%

Source: Field survey, 2025

Table 1.1 above shows the distribution of sex of the respondents, the majority (57.1%) of the respondents were females while 42.9% were males.

Table 1.2: Age of the Respondents

Response	Frequency	Percent
Under 20 years	0	0.0%
20 – 30 years	55	41.4%
31 – 44 years	70	52.6%
45 years and above	8	6.0%
Total	133	100.0%

Source: Field survey, 2025

Table 1.2 above shows that the majority (52.6%) of the respondents were aged between 31 - 44 years, 41.4% were aged between 20 – 30 years while the minority of 6.0% and 0.0% of the respondent are 45 years and above, and Under 20 years respectively.

Table 1.3: Does cloud-based accounting improve the financial management and operational efficiency of the organization?

Variable	Frequency	Percent
Yes	85	63.9%
No	48	36.1%
Total	133	100.0%

Source: Field survey, 2025

Table 1.3 above shows that most (63.9%) of the respondents agreed that cloud-based accounting improve the financial management and operational efficiency of the organization, while just 36.1% disagreed.

Table 1.4: Do cloud accounting systems lead to operational cost reduction and profitability in Small and Medium Enterprises (SMEs)?

Variable	Frequency	Percent
Yes	90	67.7%
No	23	17.3%
Total	133	100.0%

Source: Field survey, 2024

Table 1.4 above shows that most (67.7%) of the respondents agreed that cloud accounting systems lead to operational cost reduction and profitability in Small and Medium Enterprises (SMEs), while just 17.3% disagreed.

Table 1.5: Does real-time access to financial data from cloud accounting improve managerial decision-making and profitability in organizations

Variable	Frequency	Percent
Yes	50	37.6%
No	83	62.4%
Total	133	100.0%

Source: Field survey, 2025

Table 1.5 above shows that most (62.4%) of the respondents disagreed that Does real-time access to financial data from cloud accounting improve managerial decision-making and profitability in organizations, while just 37.6% of the respondent agreed.

Table 1.6: Does the scalability features of cloud accounting contribute to maintaining operational efficiency and sustaining profitability during organizational growth?

Variable	Frequency	Percent
Yes	83	62.4%
No	50	37.6%
Total	133	100.0%

Source: Field survey, 2025

Table 1.6 above shows that most (62.4%) of the respondents agreed that Do the scalability features of cloud accounting contribute to maintaining operational efficiency and sustaining profitability during organizational growth while just 37.6% disagreed.

Table 1.7: Cloud-based accounting significantly improves the financial management and operational efficiency of the chosen client organization

Variables	Frequency	Percent
Strongly agree	10	7.5%
Agree	15	11.3%
Neutral	17	12.8%
Disagree	32	24.1%
Strongly disagree	56	42.1%
Total	133	100.0%

Source: Field survey, 2025

Table 1.7 above shows that most (42.1%) of the respondents strongly disagreed that cloud-based accounting significantly improves the financial management and operational efficiency of the organization, while just 7.5% strongly agreed.

First position: Cloud-based accounting significantly improves the financial management and operational efficiency of the chosen client organization

Responses	OBSERVED (O)	EXPECTED (E)	0 – E	(0 – E) ²	$\frac{(0 - E)^2}{E}$
Strongly Agree	10	26.6	-16.6	275.56	10.60
Agree	15	26.6	-11.6	134.56	5.06
Neutral	17	26.6	-9	81	3.05
Disagree	32	26.6	5.4	29.16	1.10
Strongly Disagree	56	26.6	29.4	864.36	32.49
Total	133				52.3

Source: Author’ s computation

$$E = \frac{133}{5} = 26.6$$

$$\chi^2 = \frac{(0-E)^2}{E} = 52.3$$

Degree of freedom C-1

Where: C= number of column

=5-1

From chi-square distribution table χ^2 at 0.05 level of significant = 7.81

Since the calculated value of $\chi^2 = 52.3$ which is greater than 7.81.

DECISION: Since X^2 calculated of 52.3 is greater than the critical X^2 tabulated value which is 7.81, Chi-Square is significant. Therefore, null hypothesis H_0 is accepted. Thus, Cloud-based accounting significantly improves the financial management and operational efficiency of the chosen client organization.

Second position: The implementation of cloud accounting systems leads to operational cost reduction and an increase in profitability in Small and Medium Enterprises (SMEs)

Responses	OBSERVED (O)	EXPECTED (E)	0 – E	(0 – E) ²	$\frac{(0 - E)^2}{E}$
Strongly Agree	50	26.6	23.4	547.56	20.58
Agree	35	26.6	8.4	70.56	2.65
Neutral	10	26.6	-16.6	275.56	10.36
Disagree	15	26.6	-11.6	134.56	5.06
Strongly Disagree	23	26.6	-3.6	12.96	0.49
Total	133				39.14

Source: Author’ s computation

$$E = \frac{133}{5} = 26.6$$

$$\chi^2 = \frac{(0-E)^2}{E} = 39.14$$

Degree of freedom C-1

Where: C= number of column

=5-1

From chi-square distribution table χ^2 at 0.05 level of significant = 7.81

Since the calculated value of $\chi^2 = 39.14$ which is greater than 7.81.

DECISION: Since X^2 calculated of 46.46 is greater than the critical X^2 tabulated value which is 7.81, Chi-Square is significant. Therefore, null hypothesis H_0 is rejected. Thus, the implementation of cloud accounting systems leads to operational cost reduction and an increase in profitability in Small and Medium Enterprises (SMEs).

In conclusion, this research has demonstrated that cloud accounting positively impacts organizational profitability and operational efficiency. The findings support that cloud-based accounting systems enhance financial management and efficiency within client

organizations, promoting streamlined processes and resource optimization. Additionally, cloud accounting's impact on SMEs is notable, as it contributes to operational cost reductions and increased profitability, essential for their growth and sustainability. The paper also established that real-time financial insights provided by cloud accounting improve managerial decision-making, enabling organizations to respond proactively to financial developments.

It is recommended that organizations, especially SMEs, adopt cloud accounting systems to enhance financial management, operational efficiency, and decision-making. The cost reduction benefits and real-time data access provided by cloud accounting significantly improve profitability and responsiveness to market dynamics. For growing businesses, leveraging the scalability of cloud accounting ensures that operational efficiency is maintained, even as organizational demands increase.

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