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Digital Accounting Transformation and Financial Decision-Making Capability among SMEs in China

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ABSTRACT

This study investigates factors affecting digital accounting transformation and financial decision-making capability among SMEs in China. Using qualitative documentary research and conceptual analysis, the study identified two major dimensions influencing digital accounting effectiveness: Digital Accounting Utilization and Accounting Information Quality. Findings indicate that SMEs adopting cloud accounting, artificial intelligence, and real-time financial reporting demonstrate stronger financial planning, operational efficiency, and strategic decision-making capability.

Keywords: Digital Accounting, Chinese SMEs, Financial Decision-Making, Cloud Accounting, Artificial Intelligence

INTRODUCTION

Digital transformation has significantly changed accounting systems worldwide. In China, technologies such as cloud computing, AI, big data, and blockchain have accelerated accounting modernization. Chinese SMEs account for over **90% of business entities**, yet many still face challenges in:

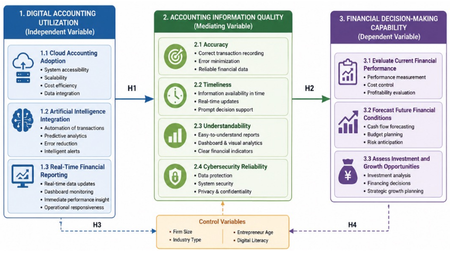
•Limited accounting system implementation
•Low digital literacy
•Weak financial reporting quality

Digital accounting enables:

✔ Real-time financial analysis
✔ Automated reporting
✔ Better strategic decisions

RESEARCH OBJECTIVES

1.To develop a conceptual framework of factors affecting digital accounting utilization and accounting information quality.
2.To identify factors influencing financial decision-making capability among Chinese SMEs.



3. Literature Review

This study identifies **two major dimensions** influencing financial decision-making capability through digital accounting systems:

1. Digital Accounting Utilization

Refers to the extent to which SMEs adopt digital accounting technologies for financial management and decision-making. Digital accounting improves budgeting, cost control, and financial forecasting.

Key factors include:

•**Cloud Accounting Adoption** – Enhances flexibility, scalability, and real-time access to financial data.
•**AI Integration** – Automates accounting tasks, reduces errors, and improves forecasting.
•**Real-Time Financial Reporting** – Provides up-to-date financial information for rapid decision-making.

2. Accounting Information Quality

Refers to the usefulness and reliability of financial information for business decisions.

Key factors include:

•**Accuracy** – Reduces recording errors and improves reliability.
•**Timeliness** – Enables faster response to market changes.
•**Understandability** – Dashboards and analytics improve data interpretation.
•**Cybersecurity Reliability** – Protects financial data from digital threats.

3. Financial Decision-Making Capability

Refers to the ability of entrepreneurs to make strategic financial decisions based on accounting information.

Key capabilities:

•Evaluate current financial performance
•Forecast future cash flow
•Assess investment and growth opportunities

4. Research Methodology

4.1 Research Design

This study adopted a qualitative conceptual research design based on documentary analysis and literature synthesis related to digital accounting transformation among SMEs in China. The qualitative approach was appropriate because the study aimed to interpret technological and managerial developments within the Chinese accounting environment (Creswell & Poth, 2018).

4.2 Data Collection

Data were collected from academic journal articles, government reports, accounting standards, and digital transformation studies published between 2015 and 2025. Relevant databases included Scopus, Web of Science, Google Scholar, and Chinese academic databases.

4.3 Data Analysis

The collected data were analyzed using thematic analysis based on Braun and Clarke's (2006) framework. Themes related to digital accounting utilization and accounting information quality were identified and synthesized into a conceptual framework explaining financial decision-making capability among Chinese SMEs.

5. Research Results

Chinese SMEs increasingly adopt digital accounting systems because they improve flexibility, efficiency, and financial monitoring. Key technologies include **cloud accounting, AI integration, and real-time reporting**, which help reduce manual work, improve forecasting, and enhance business responsiveness.

Accounting information quality also improved through greater **accuracy, timeliness, understandability, and cybersecurity reliability**. Digital systems enabled SMEs to access more reliable financial data, respond quickly to market changes, and make better strategic decisions. However, cybersecurity remains a major concern, requiring stronger digital governance and employee training.

6. Discussion

The findings indicate that **digital accounting utilization** and **accounting information quality** significantly enhance financial decision-making capability among Chinese SMEs. Cloud systems improve accessibility and transparency, while AI increases efficiency and forecasting capability. High-quality accounting information enables entrepreneurs to evaluate performance, manage risks, and support sustainable business growth.

7. Conclusion

This study concludes that digital accounting transformation plays a vital role in improving financial decision-making among SMEs in China. The two key dimensions—**Digital Accounting Utilization** and **Accounting Information Quality**—collectively strengthen financial transparency, operational efficiency, and competitiveness. Despite these benefits, challenges such as implementation costs, limited digital skills, and cybersecurity risks remain important barriers to adoption.