

ACCOUNTING DIGITISATION IN FMCG DISTRIBUTION: AN EMPIRICAL STUDY OF COMPLIANCE, TRANSPARENCY, AND AUDIT READINESS

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Abstract :

The high proportion of digitalisation of business processes has also heavily changed the practices of accounting in the FMCG distribution sector where the level of transactions and the necessity of tight regulation demand strong quality and transparency. This paper will look at the degree of digitisation of accounting by the FMCG distributors and how it has affected regulatory compliance and financial transparency as well as audit preparedness. Primary data collected using a structured questionnaire in 120 FMCG distributors were used in a research design that is descriptive and analytical. Descriptive statistics and correlation analysis were used to determine how much accounting digitisation is related to the outcomes of governance. It has been found that increased accounting digitisation levels are well correlated with better compliance, increased financial record transparency, and increased audit preparedness due to the presence of digital audit trails and the preparation of documentation in a timely manner. The study conclusively argues that accounting digitisation serves as one of the key governance factors that enhance internal controls as well as enhancement of the reliability of financial reporting of the FMCG distribution businesses. These findings present useful information to distributors, auditors and policymakers in an effort to improve financial governance with the use of digital accounting systems.

Keywords : Accounting Digitisation, FMCG Distribution, Regulatory Compliance, Financial Transparency, Audit Readiness, etc.

Introduction :

The business model of FMCG distribution is based on high transaction velocity, small margins, multistage credit cycles and a great deal of paperwork (sales invoices, purchase returns, scheme discounts, input credits and reconciliation with retailers and manufacturers). In that regard, the digitisation of accounting, or the transition to manual or fragmented bookkeeping into integrated, software-enabled and data-driven accounting has ceased to be a matter of efficiency move, and has become a governance imperative. Digital accounting systems (i.e. ERP/accounting system, cloud accounting, and e-invoicing interfaces as well as automated audit trails) can also reduce the span of closing, document standardisation, internal



controls, and traceability to spread transactions. Previous studies are gradually connecting digitised accounting to financial reporting quality, transparency, and reliability of control and propose that the digital transformation benefits the quality and utility of accounting data, especially in cases where organisations are subject to uncertainty and other complicated requirements of stakeholders (Li et al., 2025).

But digitisation in distribution business does not imply speed and convenience only, compliance and audit readiness, as well, are also involved. The compliance in the distribution environment necessitates regularity of the invoice, proper tax records, effectiveness in record keeping, and quick reproduction of transaction history when under investigation. Audit readiness is the organisational potential to provide all verifiable, complete, and timely evidence (audit trails, approvals, reconciliations, and exception logs) to back up financial statements. Digital technologies, e-invoicing, cloud computing, analytics, and automated controls can enhance transparency and minimize the existence of manual modifications that are the root causes of inaccuracy and opportunistic results. Empirical research demonstrated that the accounting digital transformation process is correlated with positive transparency effects, in particular when there is a quality of governance enabling disciplined adoption (Alassuli et al., 2025).

Though this evidence can be accumulated, there is an apparent important applied gap, FMCG distributors are a particular organisational type: many are SME-scale, process-intensive and process-compliance-sensitive, though they are under-represented in the digitisation literature, which still clearly favours banks, listed companies or professional audit environments. Besides, digitisation advantages are not predetermined, but they vary according to the organisational preparedness, systems fit, and regulatory contexts. Technology adoption studies indicate that the intensity and usefulness of digital accounting adoption are influenced by preparedness, support of the top management, and external forces (Alkhatib et al., 2022; Faiz et al., 2024). In this regard, the paper nominates digitisation of accounting in FMCG distribution as a workable governance engine and empirically examines the role of digitisation on compliance, transparency, and audit preparedness.

Literature review :

Accounting digitisation and accounting information quality :

One of the key lines of study considers how the quality of accounting information is enhanced by the digital transformation- one of the primary prerequisites of transparency and audibility. Li et al. (2025) provide firm-level findings that digital transformation is linked to an increase in the quality of accounting information, and the contextual factors (including uncertainty and competitive environment) determined the intensity of the relationship. Similar studies in financial reporting on cloud-enabled settings also demonstrate that, with data governance and integration concerns dealt with, digital infrastructures are capable of enhancing timeliness, accessibility, and standardisation of reporting (Nguyen Phu et al., 2025).



On the professional level there is also the re-organisation of accounting work practices and competencies by digitisation. Grosu et al. (2023) demonstrate that the perceptions of accountants in regards to digitisation depend on the expected gains in performance and effort, and organisational culture and regulatory environment are relevant in regards to readiness. It applies to the distributors of FMCG because digitisation is often a process that makes staff re-randomise routines (credit-note processing, scheme accounting, inventory-linked billing), and not simply computerise ledgers.

Digitisation, transparency, and governance :

The theorised gains gained with transparency are improved traceability, lower information asymmetry and enhanced internal controls. The empirical evidence confirms the given direction: Alassuli et al. (2025) discover that accounting digital transformation enhances transparency, in which governance is one of the mediating factors. It implies that digitisation maximized transparency in cases when it is supplemented by clarity concerning policies (user access controls, approval workflows, exception handling, and documentation standards). Governance-related transparency is particularly significant to distributor-firms that make high frequency cash/credit payments, and in which complex discounting applies since allowable discretionary adjustments to reported amounts are lower, and margins and receivables can be explained better.

Compliance-oriented digitisation and e-invoicing :

A second stream, which examines digitisation due to compliance reforms, such as, e-invoicing. Tiwari et al. (2023) focus on appraising determinants of adoption of e-invoicing amid the settings of developing economies through the prism of Technology-Organisation-Environment (TOE) and expose the role of the institutional pressures and technological fit on the adoption decisions. In the case of FMCG distributors, where the work goes round invoicing, invoice data can be uniformised, invoice documentation can be tightened and invoice readiness enhanced by the use of e-invoicing which is an operational heartbeat that enhances the compliance readiness, as a result of this tightening of operational processes. Significantly, the literature has shown that regulatory pressure can initiate its adoption, although continuing quality of use requires internal preparedness and benefits perception (Faiz et al., 2024; Tiwari et al., 2023).

Audit readiness, audit quality, and digital tools :

The readiness to deal with audits is associated closely with the digital evidence availability and reliability. The literature in the field of auditing suggests that digital transformation has the potential of improving the quality of audit by enhancing the availability, scope and reliability of confirmations and electronic evidences. As an example, the authors have documented audit-quality implications associated with digital audit transformation mechanisms (e.g., technology-enabled confirmations) (Guo et al., 2024). Wider discussion of digital technology in auditing and reporting suggests that the application and use of technology, particularly through automation and sophisticated digital creativities,



enhance more effective perch audience traceability and efficiency, thus increasing the higher level of the assurance process (Nashwan, 2024).

Empirical evidence is also available on cloud-based accounting and audit environments. Research documents that cloud computing and cloud accounting have the potential to enhance the quality of accounting data and facilitate work in the accounting field by enhancing access, standardisation, and continuity of accounting records, although issue such as privacy and security are major limitations (Nguyen Phu et al., 2025; Saeed et al., 2024). Cloud based consolidation can also enhance audit preparedness in a distributor environment that has several branches and mobile sales activities, where the ability to reporting exceptions centrally and in real time can be realised.

Adoption drivers in SME-like environments relevant to distributors :

Adoption research is pertinent given that a larger number of FMCG distributors are in the form of SMEs. The evidence of the SME context suggests that the organisational readiness, compatibility, top management support, and government/regulatory support have a powerful impact on the use of digital accounting system and the related performance results (Alkhatib et al., 2022). In a wider sense, the combined approach where TOE and diffusion views can be mentioned has provided evidence that the state of adoption is not just technological but also preconditioned by organisational resources and external pressures to the ecosystem (Faiz et al., 2024). This means that the success of distributor digitisation must be measured not only through the software adoption, but also through the level of the process integration (billing-inventory-receivables), the formalisation of controls (audit trails, approvals) and the level of the reliability of reports offered (reconciliations and exception resolution).

Synthesis and research gap :

In general, the literature confirms that digitisation in accounting could lead to a higher quality of information, transparency, and assurance results although it depends on governance and preparedness (Alassuli et al., 2025; Li et al., 2025). However, there are no empirical researchers that specifically examine FMCG distribution workflows, namely, scheme accounting, high-frequency invoicing, retailer credit management, multi-branch documentations. This gap has been discussed in this paper by identifying digitisation as a compliance-and-assurance capability and relating system-enabled controls and transparency and audit readiness in FMCG distribution operations.

Objectives :

The research will investigate the degree of accounting digitisation of distributors on the FMCG sector and the effect on the regulation, financial transparency and auditor-readiness results. It also aims at determining how digital accounting systems have performed in enhancing internal checks and balances, improving accuracy of documentation, and improving the reliability and timeliness of financial reporting.



Methodology:

This research will use a descriptive and analytical research design since it uses primary data that was gathered using a structured questionnaire to FMCG distributors in the study region. Stratified random sampling is adopted to take a sample of 120 FMCG distributors to represent the size of the distributor and the scale of operations of the distributor. Descriptive statistics and relevant inferential statistics are used in the analysis of data with a view of determining how accounting digitisation, regulatory compliance, financial transparency, and audit preparedness are related.

Data Analysis and Interpretation:

The reviewed results are based on the answers they obtained on 120 FMCG distributors to measure the degree of accounting digitisation and its impact on compliance, transparency, and audit readiness. The data are interpreted by simple inferential analysis and descriptive statistics.

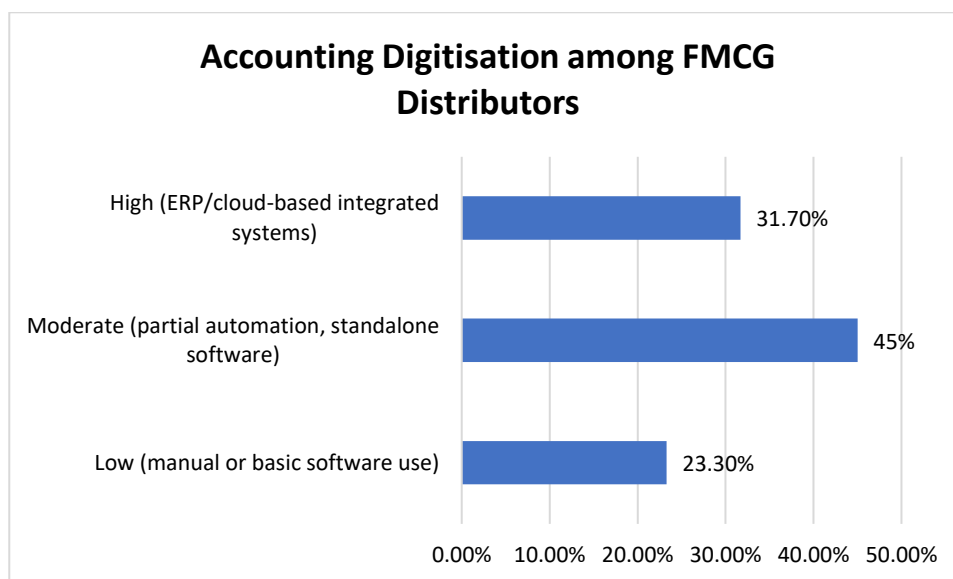


Fig. 1 Accounting Digitization

As shown in the table, most of the FMCG distributors (76.7%) have embraced some level of moderate digitisation in their accounting processes. Nevertheless, it is revealed that only 31.7 are functioning using is full computerized accounting systems, which implies the possibility to further digitalization to enhance good governance performance.

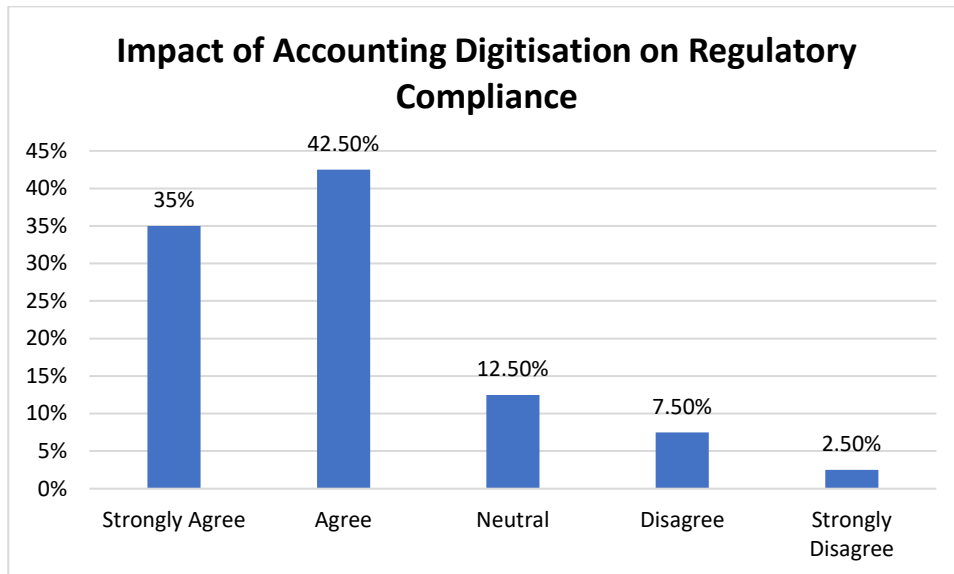


Fig. 2 Accounting Digitization on Regulatory Compliance

Almost three out of four respondents said that the digitisation of accounting has positively influenced regulatory compliance in a variety of aspects, especially in the processes of tax filing, invoice accuracy, and maintenance of records. This underscores the importance of the digital accounting systems in minimizing on the errors and time delays with respect to compliance.

Table 1 Accounting Digitisation and Financial Transparency

Transparency Outcome	Mean Score*	Standard Deviation
Accuracy of financial records	4.12	0.68
Timeliness of reporting	4.05	0.72
Traceability of transactions	4.18	0.65
Disclosure clarity	3.96	0.74

High mean scores across transparency indicators suggest that digitised accounting systems significantly enhance the clarity, traceability, and reliability of financial information. Transaction traceability records the highest mean score, indicating strong audit trails generated through digital systems.

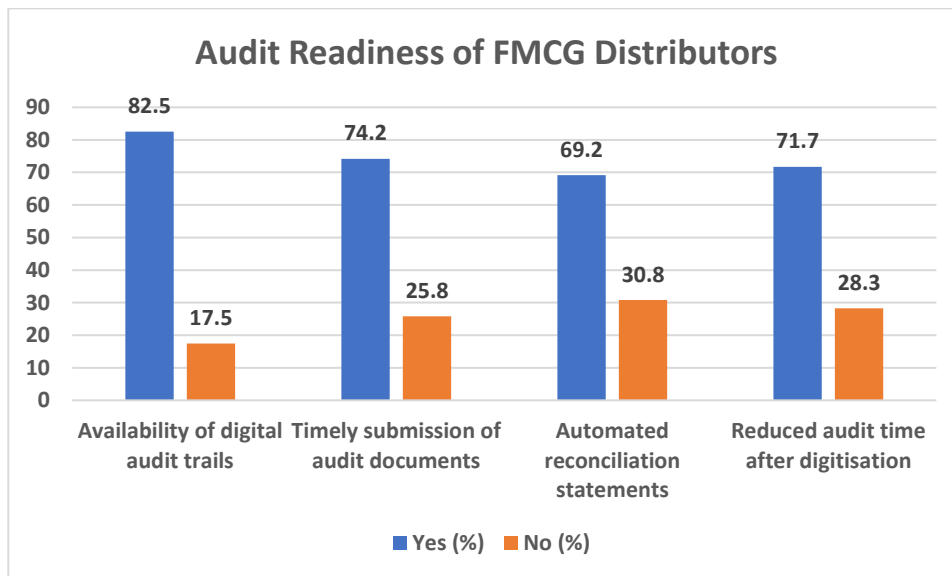


Fig. 3 Audit Readiness

A significant share of distributors indicate that they have increased audit preparedness following digitisation. The presence of a digital audit trail (82.5%), suggests that the digitisation of accounting can play an important role in assuring audit efficiency and depreciate the manual nature of accounting records.

Table 2 Relationship between Accounting Digitisation and Governance Outcomes

Variable	Mean	Correlation with Digitisation
Regulatory Compliance	4.08	0.64
Financial Transparency	4.10	0.68
Audit Readiness	3.98	0.61

According to the correlation analysis, there is a strong positive correlation between the digitisation of accounting practices on one side and the three outcomes of governance on the other. There is a strong relationship between financial transparency and compliance and audit readiness which confirms that the increased degree of digitisation leads to the better functioning of financial governance.

As indicated in the analysis, digitisation of accounting is a key element towards improving the compliance, transparency and audit preparedness of FMCG distributors. Distributors that are more digitally adopted indicate a higher level of control mechanisms, elevated practices of documentary, and an easier mechanism of auditing. These results confirm the thesis that digitisation of accounting is not a simple improvement of operations but a tool of strategic governance of FMCG distribution companies.

Conclusions :

The results of the study prove that digitisation of accounting generates a great and



positive impact on regulatory compliance, transparency of financial reports, and readiness to audit among distributors in the FMCG industry. The results show that the distributors that have implemented integrated digital accounting systems have higher precision of financial records, better traceability of transactions, timely and regular regulatory reports, and better availability of audit trails. Digitisation minimizes human error, enhance internal controls and facilitates consistency in documentation enhance the general financial governance. The evidence also indicates that increased degree of digitisation correlates with an easier audit process and shorter audit time that makes digital accounting a strategic tool but not a solely operational one in FMCG distribution.

Recommendations :

Based on these findings, it is advisable that distributors of FMCGs should advance the use of integrated accounting packages especially cloud-based accounting systems that have inbuilt compliance and audit capabilities. The management must invest in staff training to provide effectiveness in system utilisation and reduce technological change resistance. Such transition can be facilitated by policymakers and industry organizations advocating the digital compliance regimes, and offer technical advice to small and medium distributors. Additional efforts in the future should also aim at integrating the system on sales, inventory, and accountancy functions in order to get maximum transparency and audit readiness.

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