

# A Study on Cloud Based Accounting in India

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## Abstract

Cloud Accounting has evolved as one of the modern ways of accounting. It has changed the way in which a business used to record its financial data. Due to its numerous advantages, it is increasingly gaining popularity. Day by day the number of organisations that are transitioning to Cloud Accounting are increasing especially the small businesses. Cloud based accounting enables a business to store data on a digital platform without having the need to maintain any physical systems to store the financial data. It also allows its users to access financial information on a 24x7 basis with the help of the internet. Through this study an attempt has been made to understand the concept of cloud accounting, the various cloud accounting service providers in India and the different services provided by each of them and lastly to understand how cloud accounting is different and better from the traditional accounting. The study is based entirely on secondary data collected from the websites of the respective cloud accounting companies. It was found that all the cloud accounting companies are almost par with each other in terms of the services provided by each of them and it was also found that cloud accounting is significantly better than its predecessor traditional accounting in a number of parameters including cost, accessibility, data security, collaboration, etc.

**Key Words:** Cloud Accounting, Traditional Accounting, Self- install accounting software.

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## I. Introduction

Accounting is one of the crucial aspects of any business as it involves the recording of all the transactions undertaken by the business and through this, we can determine the financial position of any business. In the earlier days all the accounting records were maintained physically, that is to say physical records were maintained for recording the business transactions. After this came the use of computer software for keeping accounting records but those also involved the installation of costly software onto every computer in the organization. Now in the current times, the concept of cloud accounting has emerged. Cloud accounting is anticipated to make accounting records easily available, much more economical than the traditional accounting software and save crucial time of the companies. It is one of the revolutionary ways of accounting. The cloud is such a platform from where data can be accessed by anyone at any given point of time through the help of a device connected to the internet.

Many businesses all over the globe have reaped the benefits of using cloud accounting for meeting all their accounting needs. In cloud accounting there is no need to install any kind of software into the computers of each and every employee. It has also eliminated the need to store accounting data on secondary storage devices such as a USB flash drive. In cloud accounting, the data is sent up to the cloud which is actually a platform from where data and software are easily accessible anytime anywhere through the help of a device connected to the internet. Employees of the organization work on the data which is present in the cloud and can also collaborate among themselves to get the work done in a more efficient manner. With the help of cloud accounting, managers can have access to real time financial information which enables them to make crucial organizational decisions.

Cloud accounting is a step ahead from the traditional accounting software. In order to use any traditional accounting software a business had to purchase the entire software and install it onto to each and every computer. So, we can say that traditional accounting software was provided in the form of a product, but on the other hand cloud accounting is provided as a service under which the business pays for the right to use the platform for meeting their accounting requirements to the cloud service provider.

## Objectives

- i. To give a brief overview of cloud accounting
- ii. To compare in between the services provided by the different cloud accounting companies in India

iii. To understand how cloud accounting is different and better from the traditional accounting software

## **II. Research Methodology:**

Research is an organized and systematic way of finding answers to questions. Research methodology consists of the specified procedures and techniques applied to obtain knowledge about a particular topic.

*Research Questions:*

1. What is the overall concept of Cloud Accounting?
2. What are the various services provided by the different cloud accounting service providers in India?
3. How is Cloud Accounting better from the traditional accounting software?

*Data Collection Technique:*

The study is based entirely on secondary data collected from research papers, journals and the respective websites of the various Cloud Accounting service providers in India.

### **Limitations**

The present study has focused only on the Cloud Accounting scenario in India. In order to understand the global scenario, the cloud accounting practices being followed in other western countries can also be taken into consideration. Cloud accounting has many dimensions such as its impact on the performance of the accounting professionals, or the organization as a whole which can also be taken up for further studies.

### **Concept of Cloud Accounting**

The concept of Cloud Accounting is one of the recent developments in the field of accounting. It is the product of the cloud computing, an innovative platform of processing and storing data which enables the companies to perform business processes on IT infrastructure in a much economical manner. Cloud accounting takes into account the latest technological developments to store and process the accounting data of a business. There has been a drastic change in the way businesses perform their accounting functions. Now, accounting is shifting from the manual methods being followed earlier to the technological alternatives which has made accounting much more convenient for its users. Cloud accounting is equivalent to the self – install accounting software, but in case of cloud accounting the data is hosted on remote servers. Cloud accounting stores all the data of the organization pertaining to accounting in the cloud where it is processed and returned back to the users. It enables the seamless flow of financial information in an organization by giving real – time reporting throughout the organization.

In cloud accounting there is no software which is required to be installed on to each desktop in the organization, but rather users log in to an online platform where all the data is stored securely. Using cloud accounting, employees in other departments or branches can have access to the same data and the same version of the software. Gradually more and more organizations are adopting cloud accounting solutions to maintain their financial records to the numerous advantages the system provides.

### **Cloud Accounting Scenario in India**

Technology has impacted each and every aspect of business and has helped in streamlining the otherwise complicated tasks, where Accounting is no exception. Newer technologies are increasingly getting adopted by the accounting professionals in India. Businesses today are recognizing the importance of cloud accounting as a front – end technology which was earlier neglected by them. According to a recent study around 62 per cent of the accounting have implemented cloud-based accounting technology. Present day accountants are using this technology to bring numerous benefits to their organizations. There has been an enduring shift in the way accountants are working, becoming increasingly productive and introducing cost – cutting all through the help of cloud accounting. Recognizing the growing importance of cloud accounting, many companies in India are providing cloud accounting services to businesses, out of which a mention has been made of seven well-known companies.

a) Realbooks - Realbooks is one of the most sought-after online accounting software in India, with a good range of functionalities and features. It is scalable accounting software for small businesses with multiple branches and organisations under one roof, and it is one of the top accounting software in India. A free accounting programme designed for a single user with up to 500 transactions per year. It's not just any online accounting programme; it's a cloud-based advanced accounting solution. RealBooks allows you to add an infinite number of users at the same time, as well as open various organisations and branches. Additionally, information about all of your branches and enterprises is available.

b) Reach- Reach is again a well-liked online cloud accounting software in India. It is also one among the simplest cloud-based accounting software in India popularly known for business automation. Reach is one among the easy-to-use Online Accounting Software ideals for any business willing to implement cloud accounting for Indian Business. This Accounting Software comes with features just like the Business Dashboard, CRM, Inventory Management, Billing & Invoicing. It also includes Repair Management,

Accounting & Tax Management, Mobile App, and lots of more integrated with an ERP system. This business automation software is powerful enough to run 21 different businesses from end to finish and is prepared to use accounting software on the cloud. Reach is integrated accounting software and application that can cater to different functions within a corporation.

c) **Zoho Books-** On the global market, Zoho is one of the most popular online accounting software. ZohoBooks is a free online accounting solution that makes it simple to keep track of your finance. It is one of India's most advanced GST accounting software for small enterprises. You may sign up for a 14-day free trial to try out all of the features that ZohoBooks has to offer. It also offers a free subscription option as part of the Indian government's GST scheme. Zoho is now offering free GST accounting software to Indian firms with a revenue of less than 1.5 crores rupees. ZohoBooks is a simple-to-use online accounting software that helps small businesses manage their finances.

d) **Quick books-** Intuit Inc.'s QuickBooks Online is a registered trademark and a product. You can do your accounting online with QuickBooks, a well-known cloud-based online accounting programme. It's a straightforward online accounting system that allows business owners to make educated decisions. QuickBooks allows you to run your business from anywhere at any time and get real-time statistics. Bank connectivity is a key feature of QuickBooks that sets it apart from competing accounting software. Businesses can link their bank account to import and categorise transactions automatically. Other APIs are available in the QuickBooks application for integrating third-party apps with your business. As a result, it can import bank transactions.

e) **Profit Books -** Profit Books is among the best accounting software for small businesses in India since it is really simple and quick. It is one of the most efficient online accounting software for small businesses. Profit Books, on the other hand, is ideal for inventory management, allowing you to have complete control over your inventory. It also allows you to make beautiful invoices, track spending, and manage inventory without having any prior experience with accounting. Profit Books generates comprehensive tax reports for products sold and purchased. This not only saves time throughout tax season but also allows tax advisors to make quicker decisions. This online accounting software allows you to organise your purchases and sales more efficiently. In addition, faster fulfillment.

f) **Zip Books -** Zip books, another finest cloud-based and online accounting software in India, is all about simplicity. Zip Books is the first cloud-based accounting software created particularly for small businesses that is very simple and straightforward to use. It allows you to improve efficiency by streamlining your financial activities. You'll also have access to all of the necessary accounting, inventory, sales, buying, and CRM components. Zip Books features a complete sales and buy life cycle that is firmly integrated into the system, much like any other full-fledged ERP system. The Order to Cash and Procure to Pay life cycles can help you run your firm more efficiently. Thus, you can generate invoices straight from sales orders and/or quotations, among other things, but it comes with its own set of limitations. Businesses can use Zip Books accounting software to get GSTR-1 reports, Sales Return Summary reports, and HSN Summary data in order to file returns. However, this accounting system lacks several advanced features such as GST Reports, TCS, TDS, and E-invoicing. So, if you're looking for an ERP system with more functionality, we recommend a ZipERP transfer. ZipERP is a full-featured enterprise resource planning system for India's Small and Medium Businesses.

g) **Align Books -** Align Books is one the fastest-growing digital disruptor in online accounting services, combining simplicity, functionality, and compliance. It's also a multi-location, multi-language, multi-currency cloud accounting software with a wealth of features and dashboards. Sales, procurement, finance, inventory, POS, job work, production, payroll, and asset management are all major elements in Align Books. Approvals, user access, and privileges are some of the most popular characteristics. Multi-currency, multi-location, dashboard and MIS, Email/SMS notification, user-defined fields, and attributes also are available.

Company name / Parameter	Real books	Reach	Zoho Books	Quick books	Profit Books	Zip Books	Align Books
Branch Accounting	✓	✓	✗	✗	✗	✗	✗
Inventory Management	✓	✗	✓	✗	✓	✗	✗
Bank Connectivity	✗	✗	✓	✓	✗	✗	✗
Dash board	✓	✓	✓	✓	✓	✓	✓
Report generation	✓	✓	✓	✓	✓	✓	✓
Automation	✗	✗	✓	✗	✗	✗	✗
Tracking sales, invoices, supplier bills and payments	✓	✓	✓	✓	✓	✓	✓
GST Compliant	✓	✗	✓	✓	✗	✓	✗

**Table showing the various services provided by the cloud accounting companies in India**

**III. Findings:**

From the above table, it can be seen that Zoho Books is providing the greatest number of features in comparison to the other firms offering cloud accounting services in India. Some of the features like dashboard, report generation and tracking sales, invoices, supplier bills and payments are common to all. Automation, a feature which helps in performing the repetitive tasks easily is only offered by Zoho Books. Bank connectivity, a feature which allows us to reconcile bank transactions is provided only by Zoho books and Quick books. Being GST compliant is yet another useful feature which enables users to file their GST returns on time, create GST compliant invoices, etc. This feature is being provided by Real books, Zoho books, Quick books and Zip books.

From above we find that almost all the modern features are provided by the cloud accounting firms operating in India and that they are almost at par with each other in terms of the services provided by them.

**Traditional Accounting vs Cloud Accounting**

Traditional accounting used to entail keeping track of every invoice a company received or issued. These bills and their associated data were kept on a separate folder or hard disc. Traditional accounting software was created for businesses when computers supplanted pen and paper. It is possible to install the software on a computer and use it to save financial data. On that machine, the user has access to the data, storage, and services. This data cannot be accessed by any other device or network.

Traditional accounting forces you to sit behind a desk and work all day due to the lack of remote access. Furthermore, because your data is exclusively reliant on the capabilities of a single device, it raises your risks of losing it. Naturally, if traditional software is the best option for your company, you may always invest in backups and upkeep.

The functionality of cloud accounting is identical to that of traditional accounting. The main difference is that it runs on remote servers through the internet, eliminating the need to download bulky software packages to your work PC. The financial data is accessible via a web-based interface from any location with an internet connection. This model is becoming increasingly popular due to its versatility, cost-effectiveness, and variety of features. Cloud accounting is the solution to many modern businesses' financial management problems.

Even though both traditional accounting and cloud accounting both essentially perform the same functions, there are some fundamental differences in the way these two systems work. Let us try and understand some of these differences:

a. **Costs** - Traditional accounting necessitates the purchase of software, installation of the system on all machines that will utilise the software, and the purchase of hard drives to store the software and financial data, among other things. As a result, both hardware and software are needed, whereas a cloud-based accounting system eliminates the need for the costly gear. We only need equipment and an internet connection to get started. Even mobile phones with internet access can use the cloud-based accounting software. To use cloud-based accounting software, we must pay a monthly membership fee.

b. **Accessibility** - Accessibility is the most significant distinction between traditional and cloud accounting. Traditional systems are on-premises, which means financial data must be accessed from a certain place or on a specific computer. This may have an impact on an organization's obligations, schedule, and productivity.

With the cloud, data can be accessed from any compatible device using your secure passwords. This off-site setup is beneficial in a variety of ways.

- It updates data sources in real time.
- It removes redundancy and ensures secure data backups.
- In terms of maintenance and work hours, it reduces physical labour.
- It gives a lot of freedom in terms of where you can go and when you can go.

c. **Data Security** - Building collapse, data loss due to power fluctuations, fires, thefts, hardware problems, or floods are all risks in a traditional accounting system. Because the data is stored in numerous locations and backups are routinely taken, the cloud-based accounting system is less sensitive to such physical problems. Data stored in the cloud is also safe against virus attacks and data theft.

d. **Scalability** - To keep up with changes in size and scale, any firm needs scalability in its software. Scalability is more challenging in traditional accounting software systems than in cloud platforms. You must manually upgrade and manage your on-premises software as requirements evolve, resulting in complexity and exorbitant expenses.

Cloud software, on the other hand, encourages corporate expansion and gives adequate scalability for a growing company. This is because it is not reliant on local servers or storage constraints. There is no need to upgrade your devices or buy new hardware to handle growth because the entire platform is web-based.

e. Collaboration - Collaboration is an important aspect of a productive workplace. Discussions, meetings, repeated evaluations, and other collaborative activities are also required in financial matters. Collaboration is difficult in traditional accounting since all data is stored in a physical location and can only be transmitted in a limited way. Traditional accounting software would cause more issues in the COVID and post-COVID eras, as firms move to a virtual workspace. It is becoming increasingly difficult to gather all stakeholders in one room to cooperate on a project. It's also difficult to create reports, share them with multiple people, and receive all contributions as a result of this. Cloud accounting eliminates these issues because it is essentially a virtual area that can be accessed from any location on the planet. Authorized personnel can use their credentials to access data and, if necessary, leave inputs on the same report.

This facilitates collaboration while also assisting firms in maintaining openness in their operations. On demand, any accounting report or spreadsheet can be shared with a group of people. Multi-person access and approval chains, among other things, may make collaboration a breeze.

f. Environmental Sustainability - Currently, all firms seek to operate in an environmentally sustainable manner. After all, it is our responsibility to limit our carbon footprint and to be responsible for our planet's well-being.

Traditional accounting puts the environment at risk because it mostly relies on paper trails, printouts, and technological support. Cloud accounting, on the other hand, is paperless and hosted remotely. It does not consume any environmentally hazardous resources. As a result, this is the more ethical option for any company.

From the above discussion we can understand that cloud accounting is superior to its predecessor i.e., traditional accounting as cloud accounting offers a much-advanced platform wherein companies can store and have access to their financial data whenever the need arises. Cloud accounting also allows people of the same organization to collaborate and work together on matters pertaining to finance, which enhances the productive capacity of an organization. Cloud accounting also enables the data to be stored at much lesser cost and in a secure manner as compared to traditional accounting because it eliminates the need to maintain any physical storage systems by the companies.

To sum it up we can say that cloud accounting is better than traditional accounting and its adoption depends upon the requirements of the company, the scale of the business and the amount which a business is willing to spend to maintain its financial data.

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