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Influence of Digital Transformation on Financial Reporting in Large Corporations in Developing Economies: A Case Study of Nigeria

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ABSTRACT

This paper delved into the nuances in the influence of digital transformation on financial reporting in large corporations. The context of the paper was to comprehend digital transformation in financial reporting organically and contextualise in a developing economy such as Nigeria. The paper used qualitative research to explore advancements in digital technologies and how it influences financial reporting in large corporations. Data was collected from secondary sources and analysed using themes and the paper presented both challenges and opportunities of digital transformation in financial reporting. The findings showcased that prevalent digital technologies in financial reporting are automated and computerised systems, cloud computing, big data analytics, artificial intelligence and use of internet of things The paper pointed out some inherent challenges and risks facing digital transformation in financial reporting in Nigerian large corporations such as lack of infrastructure, limited technology and connectivity skill gaps and levels of digital literacy as well as vulnerability to cyber-attacks and threats. Overall, it was concluded that digital transformation facilitates significant improvement of financial reporting in terms of accuracy, transparency, detecting anomalies and errors and promoting informed decision making for stakeholders. It was recommended that to solve the challenges in digital transformation for financial reporting there should be investments in technology, education, data protection as well as collaboration between government, corporate leaders, executives and management to commit to enhancing the harnessing of the potentials of digital technologies in the future of Nigeria as a developing economy.

INTRODUCTION

One of the core areas in contemporary organisations that is going through multiple dimensions of alterations is the process of financial data collection, analysis, interpretations and reporting (JieWei et al., 2023). There has been paradigm shift from traditional manual processes using hard copy, handwritten paper records to soft copy, electronic and digital records. This is as a result of the ever-evolving advancements in information technology that automates manual accounting and finance tasks, including data input, bookkeeping, and reconciliation (Kitsios, Giatsidis & Kamariotou, 2021; JieWei et al., 2023).

The integration of information and communication technology (ICT) in business and society has brought about the digital transformation (DT) trend, which has altered various attributes and functions of corporate organisations. In recent times more and more corporations are leveraging digital technology tools and platforms to facilitate efficient and effective financial data collation, recording, analysis and reporting. This is changing the way businesses are operating and making relevant decision making (Chi, Zhao & Li, 2016; George, 2024).

In developing economies such as Nigeria, digital transformation in financial reporting has been observed but not received enough applications and utilization as compared to global counterparts. This is because of certain internal and external business factors and challenges such as infrastructure, data authenticity, inefficiency in corporate governance (Enyinna et al., 2022; Udegbunam, Igbokwe-Ibeto & Nwafor, 2023).

This paper is on the influence of digital transformation on financial reporting in large corporations in developing economies such as Nigeria. The essence of this paper is to consider DT encompassing the adoption of enterprise resource planning (ERP) systems, artificial intelligence (AI), cloud computing, blockchain technology, and big data analytics (BDA). While these DT presents immense potential to advance the precision, accuracy, appropriateness, timeliness, transparency and clarity of financial reporting, their adequate integration in developing economies comes with unique limitations, constraints and opportunities as well as potentials.

JieWei et al (2023) opined that technology enhances accounting and finance function efficiency in an organisation by reducing human mistakes and processing time. Thus, the use of accounting, finance and ERP software streamline financial processes, procedures and provide real-time information and reporting. ICT solutions deliver dependable data safekeeping, storage, coordination and retrieval. Through the utilisation of advanced data analytics tools and technique assist finance and account personnel in analysing and reporting large datasets, identification of patterns and trends as well as making informed decisions (Xin et al., 2023; Thanasas, Kampiotis & Karkantzou, 2025).

Nigeria, as one of major economies in Africa serves as a critical case study for comprehending DT in corporate financial reporting because of the characterizations that are unique to the Nigerian business environment such as infrastructural challenges, dynamics of regulatory fluctuations, and economic volatility (Alonge, Dudu & Alao, 2024). This paper presents theoretical and conceptual discussions from literature on the opportunities and risks for corporations in Nigeria in embarking on DT initiatives for financial reporting practices.

LITERATURE REVIEW

Concept of Digital Transformation (DT)

DT is defined as the changes in business processes, systems and procedures based on the integration and adoption of digital technologies and innovations such as advancements in automation, cloud computing, artificial intelligence (AI), machine learning algorithms, blockchain and Internet of Things (IoT) as well as data analytics (Kraus et al., 2021; Xin et al., 2023). DT involves streamlining, reorganising and automating diverse processes to foster efficiency and effectiveness. Verhoef et al (2021) argued that digital transformation has resulted in a change in mindset and a willingness for individuals, groups, and organisations to embrace new technologies trends and approaches. This can be in the form of using data analytics for personalization of marketing campaigns, automation of operational processes and streamlining financial and accounting systems (Kraus et 2021; Xin et al., 2023).

Concept of Financial Reporting in Large Corporations

Financial reporting is defined as the procedure used in detailing, documenting and displaying financial information of a company through financial statements, to provide relevant stakeholders with comprehensions into financial status, health, position and performance (Muzira, 2019; Rathnayake, Rajapakse & Lasantha, 2021). The relevance of effective and efficient financial reporting is critical in contemporary organisations because it is an essential mechanism that allows organisations to engage and update stakeholders. Elliott and Elliott (2015) opined that financial reporting as the culmination of the accounting and finance function consisting of tracking, monitoring, analysing, and reporting the income and expenses, cash flow, resource utilisation, and other business transactions, communication of financial information and key performance metrics.

Financial reporting is done through financial statements which include the statement of financial position showing the assets, liabilities, and equity of a company at a specific point in time, income statement presenting profit and loss report over a specific period. As well as the cash flow statement that tracks the movement of cash in and out of a business (Muzira, 2019). It should be noted that globally accounting standards are adopted in guiding financial reporting such as International Financial Reporting Standards (IFRS). The use of financial reports is to assist business executives, managers, investors, and shareholders collate the information required for making effective business decisions and assess financial status of the companies (Mironiuc, Carp & Chersan, 2015; Rathnayake et al., 2021). Financial reporting is vital for large corporations for providing transparent and accountable information about financial position, patterns and performance,

Theoretical Framework

This section highlights the theories underpinning this paper, which include the technology acceptance model and the task-technology fit theory as used in prior empirical research such as Udegbunam et al (2023), Xin et al (2023), JieWei et al (2023) and George (2024).

Technology Acceptance Theoretical Model

The link between DT and financial reporting can be underpinned by the technology acceptance model (TAM), which is an information systems theoretical model developed by Fishbein and Ajzen's (1975) as well as expounded by Davis (1989). It explains how individuals, groups and organisations can adopt and utilize new technology based on the perceived ease of use and perceived usefulness. George (2024) argued that the adoption of digital transformation tools in financial accounting process can be explained by the technology acceptance model. TAM posits that various aspects of technology in financial reporting include the presentation of new technology, impact user behaviour.

JieWei et al (2023) applied the TAM as a theoretical framework for how big data analytics and software affect financial reporting and analytical accounting practices. TAM is considered useful in this paper because it suggests that accountants and financial professionals are more motivated to apply digital technologies for financial reporting and analysis because it serves as an easy to use and useful tool to make financial process seamless, transparent and accurate.

Task-technology fit theory

The second theory relevant to this paper is the Task-Technology Fit theory, coined and developed by Goodhue and Thompson (1995). This theory puts forwards the assertion that for digital transformation to yield positive impact, there has to be task and technology alignment. According to Udegbunam et al (2023) digital technologies must enhance processes and outcomes in terms of features and support, establishing a connection between technology and performance. Financial reporting as an organisational task requires appropriate digital tools such as enterprise resource planning, automated recording systems and artificial intelligence to be fitted. This theory is relevant in this study as it describes the effectiveness of using ICT systems are profoundly determined by their ability to seamlessly integrate technology into responsibilities (Xin et al., 2023). The quality of financial reporting has been known to be improved by use of a wide range of digital tools that fit into the tasks.

Empirical Review

Digital Transformation and Financial Reporting

Sui and Yao (2023) expressed the significant impact of digital transformation on corporate financialization. It was found that between 2010 and 2020 more companies around the world utilized big data analytics to promote accuracy and transparency of their financial processes However, it was noted that because of the dramatic evolutionary trend of digital technologies there was negative impact of digital technology on corporate financialization, and cloud computing technology significantly inhibited the corporate financialization level.

In comparison, Xin et al (2023) argued that use of software is transforming financial information gathering and reporting by streamlining processes and enhancing accuracy. The authors argued that advancements in automation, artificial intelligence (AI), and data analytics, larger corporations can now create and develop financial statements faster and with limited errors. Tools like cloud-based accounting and financial platforms, real-time data integration, and machine learning algorithms are making it easier for enterprises to handle complexities of financial data, discrepancies detection, and ensure adherence with regulatory standards (Xin et al., 2023). These innovations are not only upgrading the efficiency of financial reporting but also facilitating more insightful and informed analysis, allowing corporation to make and take data-driven decisions in a rapidly evolving global financial environment (Zakharkina et al., 2022; Thanasas, Kampiotis & Karkantzou, 2025). In addition, digital tools are reshaping and expanding efficiency in financial practices, for instance in tasks that were once manual and time-consuming, such as data entry and reconciliation there is now seamless through automation that allows for free time for more strategic work (Xin et al., 2023)

Meraghni, Bekkouche and Demdoum (2021) expressed that DT impacts accounting information systems in Algerian companies. It was found that financial analysts and accountants use BDA to drive deeper analysis, forecasting and scenario planning as well as decisive projections. Digital tools in financial reporting provide improvements in transparency, auditability, tracking and accessing of financial data in real-time, minimising the risk of fraud, theft and errors.

Innovations in accounting software makes financial reporting transparent and efficient in auditing and regulatory compliance. These innovations collectively foster a culture of accountability, streamline financial operations, and advance the reliability of financial and operational data (Zakharkina et al 2022; Xin et al., 2023).

METHODS

This paper is an exploratory study that seeks to look at a phenomenon within the context of predefined variables. This paper employed qualitative research approach based on the review of secondary data collated from empirical literature sourced from databases such as Google Scholar, Elsevier, Scopus Journals and EBSCO. A total of 100 journal articles were searched out and reviewed using keywords such as Digital transformation, Digital Technologies, Financial Reporting, Financial Accounting, Large Corporations, Developing Economies. The data was collated in a systematic manner including the above keywords mentioned and excluding those that did not conform with the individual words or combination of words. The analysis of the data was based on thematic analysis of the opportunities and risks involved in digital transformation in financial reporting in Nigeria as well as the relevance of digital transformation in financial reporting for large corporations in Nigeria.

Creswell and Creswell (2018) justified the use of qualitative research to elicit in-depth interpretations of complex phenomenon and constructs. This paper considers DT as a nuanced occurrence that requires interpretivist research paradigm to offer multidimensional insights and comprehension as well as a means of arriving at acceptable level of knowledge. The limitation of qualitative research is that it may have some unclear input that can be considered non-scientific and untested (Kothari, 2018).

DISCUSSIONS

Influence of Digital Transformation in Financial Reproting of Large Corporations

Alonge et al (2024) opined that large corporations in Nigeria are faced with tremendous opportunities from digital transformation in financial reporting. This can include:

Firstly, increased improvement in financial information accuracy and timeliness through the use of ERP systems providing automation and computerisation of various aspects of accounting and financial processes. This has led to reduction of time spent in the accounting process from gathering invoices, to recording transactions, positing entries, balancing accounts, drawing up trail balances and preparing financial statements. There is also minimisations of human error across each of the stages of financial accounting system, thereby ensuring that financial reports are generated as at when required and needed. In addition, cloud-based computing and storing platforms expands the capabilities of companies to access real-time financial information that is vital and essential for making informed business decisions. Alonge et al (2024) gave examples of Nigerian banks, manufacturing, oil and gas companies, telecommunications and multinationals employing digital technologies to make more efficient their financial reporting operations to ensuring that there is significant adherence to both internal and external requirements.

Secondly, it was argued that digital technologies inn financial reporting influenced cost of savings for large corporation. Alonge et al (2024) stated that though the initial investment in digital technologies can be considerably extensive, the long-term cost savings are relevant over time. The process of automating financial reporting in companies can present some cost minimisation in the areas of labour costs and lowering the risk of penalties for lack of compliance and manual oversights.

In addition, Udegbunam et al (2023) and Alonge et al (2024) maintained that the impact of digital transformation on financial reporting in emerging economies is intense and multifaceted, significantly shifting how organisations prepare, portray and present their financial information. Digital technologies, such as big data analytics, cloud computing, enterprise resource solutions, advanced accounting software, streamline data gathering, collection and entry processes, significantly decreasing the risk of mistakes. These technologies enable organisations to automate the flow of data from various sources into financial reporting systems, ensuring that the information is consistent, precise and reliable. Moreover, digital tools enhance data integrity through built-in validation checks and real-time monitoring. Large corporations can capture financial data and automatically flag irregularities as well as discrepancies through digital technologies which can facilitate prompt investigation and correction.

Finally, digital technologies in financial reporting drives more alignment with regulatory compliance thereby reducing fraud, corruption, corporate governance mismanagement. In Nigeria, corporations are required to conform with International Financial Reporting Standards (IFRS), hence through the means of digital tools businesses can enhance their ability in meeting regulatory requirements by designing the automation of the preparation and reporting of financial statements in line with international standards. Furthermore, digital technologies make it easier for inspectors, auditors, experts and regulators to access and verify corporate financial data. Some observable and well-known case of Nigerian large corporations that have exemplified leveraging digital transformations in financial reporting can include Access Bank Plc that adopted an ERP system that integrates and infuses financial information from multiple departments, decreasing the extent of redundancy and improving transactional accuracy. This has allowed the bank to produce real-time financial reports, guaranteeing strong compliance with IFRS and improving on its transparency and accountability as a large banking and financial institution in Nigeria.

Also, the Dangote Group Plc which is a multinational conglomerate has been known to utilise digital tools to enhance its financial reporting. This is done by means of cloud computing software that manages the accounting processes across the various subsidiary such as Dangote Sugar and Dangote Cements. This has promoted and enabled consistency and real-time financial data access. Through digital tools used in financial reporting Dangote Group Plc has been able to minimise the errors, reduce frauds and strengthen the preparing and presenting financial statements and advance reporting efficiency.

Challenges and Risks in Digital Transformation in Financial Reporting in Nigeria

Alonge et al (2024) mentioned that digital transformation faces some inherent risks in financial reporting. The challenge of infrastructure, technology and connectivity issue can be considered at the top of the lists of limitations. Nigeria still struggles with power generation issues with blackouts and downtime in power grid, also there is inadequacies in modern computing and software technology that organisation can execute for their digital transformation, coupled with this there is unstable internet connectivity that causes disconnect across relevant financial accounting systems. All these make it challenging in the investments and implementation of digital technologies to reap the desired rewards in financial reporting.

More so, challenges along the line of digital literacy, competencies and skills gap have burdened the influence of DT inf financial reporting. There are still vast amount of the Nigerian workforce that are particularly limited in advanced digital technologies such as AI, cloud computing, blockchain, Internet of Things and data analytics. Especially within the context of accounting and finance professionals that tend to rely traditional or mundane methods and techniques of financial reporting. In fact, there appears to be resistance to change that hinders the transitioning to more digital tools and efficient systems (Alonge et al., 2024)

Finally, a major risk that plagues digital transformation in financial reporting is based on the prevalence or subjectiveness to cybersecurity. In essence, because of the digital nature of various tools and the tangible nature of financial reporting there can be the risk of vulnerability to cyber-attacks and threats, data breaches and hacking of systems. Most banking and financial organisations in Nigeria have had scare incidents of cybersecurity to their systems used in financial transactions and reporting. This has been traced to the lack of effective and robust cybersecurity infrastructure in Nigeria (Udegbunam et al., 2023). In congruence, the challenges to financial reporting is a sensitive aspect of business and the use of digital transformation in the context of Nigeria comes with significant challenges and risks but are considered not insurmountable. By concentrating the issues of inadequacy in infrastructure and connectivity, limited digital literacy and capacity, resistance to change and cybersecurity, large corporation in Nigeria can navigate the way for a successful transformation in digital financial reporting and enhanced accountability (Enyinna et al., 2022; George, 2024; Alonge et al., 2024).

CONCLUSIONS AND RECOMMENDATIONS

This paper has delved to a contemporary discussion on digital transformation in the process of financial reporting in large corporations. It is evidence that this phenomenon is growing both globally and within the domestic confines of the Nigerian economy that is emerging. This paper points out the essential relevance of digital technological tools such as cloud computing, automated and computerised systems, artificial intelligence (AI) and machine learning (ML) which are revolutionizing financial reporting in emerging markets providing opportunities of collating, reporting and analysing vast amounts of financial information swiftly and accurately, identifying trends and irregularities that may not have been easily detectable through conventional methods.

Though Nigerian Large corporations still struggle with risks and challenges such as technology inadequacies, infrastructural shortcomings, limited digital literacy and capacity and vulnerability to poor cybersecurity, the path forward for digital transformation in financial reporting is bright and can be supported with investments in both financial and non-financial enablers such as training and development of accountants and finance profession to bridge skill gap, spending on technology development within the organisations, improvement in data protection systems and platforms.

Overall, the key recommendation from this paper is that large corporations in emerging economies such as Nigeria, should emulate global counterparts in the way they have aligned task and technology to fit the purpose for which the integration can yield the multidimensional rewards. There is a call to all stakeholders in public and private sectors in Nigeria to commit to fully realizing the potential of digital transformation in financial reporting through continuous improvements in investing in infrastructure, innovation, education, and regulatory frameworks that support the implementation of these technologies. Government has a significant role to play as well as, corporate leaders, executives and managers, working collaboratively to navigate the existing barriers in digital transformation and ensure it becomes an enabler of sustainable economic growth and development.

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