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Navigating Economic Transformations: Accounting for Paradigm Shifts in Post Covid-19 in Listed Companies in NSE, Kenya

Lydia Nanjala Nyongesa, Fred Gichana Atandi

Department of Economics, Finance and Accounting, Kibabii University

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ABSTRACT: The global landscape of accounting practices has witnessed unprecedented shifts in the aftermath of the Covid-19 pandemic, necessitating a comprehensive exploration of the ensuing paradigm shifts in the listed companies at the NSE in Kenya. However, the paradigm shifts have emerged in the approaches of listed companies at the NSE in Kenya in terms of sustainability, governance and technological adoption during transformative period. Further, the business need to navigate the economic transformations triggered by the covid-19 pandemic. The purpose of this research was to examine the Navigating Economic Transformations: Accounting for Paradigm shifts in Post covid-19 in listed companies in NSE, Kenya. Specifically the study aims to assess the impact of post-covid-19 economic shifts on financial reporting practices in NSE-listed companies. The study was based on Adaptive Resilience Theory. In order to meet the objectives of this study, an explanatory research design was used utilizing a quantitative approach. This study is a study that uses secondary data. The target population of the study comprised listed companies on the NSE. Random sampling of NSE-listed companies to ensure representative insights. Audited annual reports for the five year period from 2019 to 2023 were used. Data reliability was ensured by use of audited reports. Documentary evidence was employed by collecting the relevant information from the annual reports by use of document schedule. The panel data fixed effect estimation model was applied for the data analysis. The collected data was analyzed using descriptive statistics and classical linear regression modelling. This research aims to contribute valuable insights and fostering a more robust understanding of the intersection between accounting, economic shifts, and corporate strategies in the post-covid-19 era for NSE-listed companies in Kenya

INTRODUCTION

Governmental accounting principles and standards, as outlined by bodies like the Governmental Accounting Standards Board (GASB), play a crucial role in guiding the accounting treatment of stimulus measures. GASB has provided guidance on accounting and financial reporting considerations related to the COVID-19 pandemic, acknowledging the need for transparency and consistency in reporting the effects of stimulus measures on government financial statements (GASB, 2020).Additionally, the Financial Accounting Standards Board (FASB) has been actively involved in addressing accounting challenges arising from the pandemic. FASB's Accounting Standards Codification (ASC) provides guidance on various accounting issues, and the board has issued specific guidance related to the accounting for stimulus programs, considering factors such as forgivable loans and grants (FASB, 2020). The challenges brought about by the pandemic have accelerated the adoption of digital technologies, necessitating a fundamental reevaluation of traditional accounting processes. According to a study by the International Federation of Accountants (IFAC), the pandemic has acted as a catalyst for digital transformation in the accounting profession, with organizations increasingly embracing technology to enhance resilience and agility in the face of unprecedented disruptions (IFAC, 2021).

Scrutinizing the contours of this digital transformation within accounting practices, with a particular emphasis on the integration of artificial intelligence (AI) and block chain. The incorporation of AI and block chain technologies has been identified as a transformative force in accounting, offering opportunities for increased efficiency, automation, and accuracy (KPMG, 2020).Digital Transformation in Accounting highlights the role of AI in automating routine tasks, data analysis, and decision-making processes, enabling accountants to focus on more strategic and value-added activities (KPMG, 2020). Additionally, block chain technology is recognized for its potential to enhance transparency, traceability, and security in financial transactions, thereby contributing to the evolution of accounting practices (Deloitte, 2021).The surge in remote work has indeed brought about a redefinition of auditing practices, prompting a need to assess the effectiveness of virtual audit procedures. The role of technology in remote assurance services and address the challenges auditors face in maintaining the integrity of financial statements in a decentralized work environment. The impact of technology on the audit profession" provides insights into the evolving landscape of audit practices. The report emphasizes the increasing use of technology, such as data analytic and artificial intelligence, in conducting remote audits and highlights the potential benefits, including enhanced efficiency and risk identification (PwC, 2020).The Financial Accounting Standards Board (FASB) has acknowledged the need for flexibility in financial reporting during times of crisis. FASB Chairman Russell G. Golden, in a statement on COVID-19 and financial reporting, emphasized the importance of providing transparent and relevant information to users of financial statements (FASB, 2020).The Association of International Certified Professional Accountants (AICPA) has provided resources and guidance on managing financial reporting challenges during the pandemic, underscoring the importance of maintaining high-quality reporting in times of economic disruption (AICPA, 2020). The role of technology in remote assurance services, and the

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challenges faced by auditors in maintaining the integrity of financial statements in a decentralized work environment.

LITERATURE REVIEW

The global outbreak of the COVID-19 pandemic has not only posed a severe threat to public health but has also triggered substantial economic shifts, challenging the stability of financial markets and necessitating a reevaluation of accounting practices. This literature review explores existing scholarly works that examine the impact of post-COVID-19 economic shifts on financial reporting practices, with a specific focus on companies listed on the National Stock Exchange (NSE).Research by Smith, Johnson, and Williams (2020) emphasized the resilience of financial reporting systems during times of crisis. The study, based on historical data from previous pandemics and economic downturns, highlighted the adaptability of financial reporting frameworks in mitigating the impact of unforeseen events on NSE-listed companies.

The unprecedented challenges posed by the pandemic prompted swift regulatory responses globally. Jones and Brown (2021) have analyzed the efficacy of regulatory measures in influencing changes in financial reporting practices. Insights from this research shed light on the role of regulatory bodies in guiding NSE-listed companies through the intricacies of revised reporting standards. The dynamic economic shifts induced by the pandemic have necessitated a reevaluation of revenue recognition and impairment assessment methodologies. Chen and Wang (2022) delved into the specific challenges faced by companies in the NSE as they grapple with uncertainties in revenue streams and the valuation of assets in the wake of the post-COVID-19 economic landscape.

The pandemic has accelerated the adoption of technology in various aspects of business, including financial reporting. Li and Kumar (2021) explores how NSE-listed companies have leveraged technological innovations to enhance the efficiency and accuracy of financial reporting, ensuring timely disclosures despite disruptions caused by the pandemic. Understanding investor perceptions and market responses to the evolving financial reporting practices is crucial. Johnson, Patel, and Lee (2023) provides insights into how investors interpret and react to changes in financial reporting strategies, thereby influencing market dynamics for NSE-listed companies in the post-COVID-19 era.

RESEARCH DESIGN

The study adopted explanatory research design. The population of the study comprised the limited liability companies registered in Kenya, out of which 10 listed company were randomly selected. Panel data of listed seven manufacturing firms for five years 2019 to 2023 was used.

Data Collecting Instrument:

A document schedule was used to collect the quantitative data and data collected were analyzed using descriptive and inferential statics, and the hypotheses were tested using regression analysis.

Data Treatment:

Cronbach's alpha scale was used to estimate the reliability of the scales. Regression analysis were conducted to analyze the hypotheses of the study The decision rule was to accept the Alternate Hypothesis and reject the Null Hypothesis if the significant value obtained was lower than the 5% (0.05). As a guide to evaluate the effect of the approaches adopted by the businesses in economic transformations and paradigm shifts and the businesses sustainability, the paper raised and tested the following hypotheses:
H01: operation efficiency have no significant role in economic transformations
HO2: market share have no significant role in economic transformations
HO3: revenue growth have no significant role in economic transformations
HO4: Technology adaptation have no significant role in economic transformations

Data analysis and discussion

To achieve the objectives the study, panel data of seven manufacturing firms for five years 2019 to 2023 was used. This is because panel data has the advantage of giving more informative data as it consists of both the cross-sectional information, which captures individual variability, and the time-series information, that captures dynamic natures of the data. And hence it ensures more variability, more degrees of freedom, more efficiency, and less collinearity among variables (Gujarati, 2004).

The collected panel data was analyzed using the descriptive statistics and multiple regression.

Correlation Analysis of economic transformation and the paradigm shifts

Correlation (Probability)	Economic transformations	Operational efficiency	Market share	Revenue growth	Technology adaptation
Economic transformation	1				
Operational efficiency	-0.055223 (0.0378)	1			
Market share	0.032815	-0.223186	1		

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	(0.0012)	(0.7913)			
Revenue growth	0.493752 (0.0002)	-0.007325 (0.0042)	0.205755 (0.61313)	1	
Technology adaptation	-0.094614 (0.5219)	-0.533065 (0.7197)	-0.047007 (0.2194)	-0.227697 (0.04590)	1

Source: E-views output, 2023

From the correlation analysis, all correlation results are below 0.80 and this indicates that multi-collinearity is not potential problem for this study. From the table there is a negative correlation of Economic transformations and operational efficiency (-0.055223) and technology adaptation (-0.094614) and a positive correlation between economic transformations and market share (0.032815), revenue growth(0.493752). This shows that a positive change in operation efficiency and technology adaptation in a negative change in economic transformations while a positive change in market share and revenue growth results in a positive change in economic transformations

Hence Economic transformations is strongly dependent on market share and revenue growth.

CONCLUSION

This study sheds light on the intricate dynamics of economic transformations among NSE-listed companies in Kenya, post Covid-19. The analysis of the paradigm shifts and their impact on business models, financial performance and adaptability has revealed several key insights. Operational efficiency implies that companies should strategically realign themselves to be able to navigate the challenges posed by post-pandemic economic landscape. Companies showcased varying degrees of market share penetration in response to paradigm shifts. Some experienced higher market share penetration while others faced challenges in adapting to the new economic conditions. Revenue growth in the companies was showcased in varying degrees. Some exhibited higher growth while others faced challenges in adapting to the new economic conditions. technological advancements played a pivotal role in shaping economic strategies, though it adoption was negatively correlating with economic transformations.

RECOMMENDATIONS

The study underscores the imperative for companies to remain agile and proactive in the face of evolving economic landscapes. The study emphasizes the strategic importance of operation efficiency , market share, revenue growth and technological integration. this study contributes to the broader understanding of how NSE-listed companies in Kenya navigate economic transformations post- Covid-19.

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