

## DIGITALIZATION. CONFUSION AMONG THE DEFINITIONS IN THIS AREA

### ДІДЖИТАЛІЗАЦІЯ. ПЛУТАНИНА СЕРЕД ВИЗНАЧЕНЬ У ЦЬЙ СФЕРІ

*The aim and objectives of the article are solved, which allows generalizing the content of a number of terms and concepts in modern accounting. The purpose of the article is to reveal the differences between the concepts of "digitalization", "digital transformation", "digitalization" (or "digitalization"). The importance of understanding the essence of the concepts, covering the theoretical and practical aspects, is emphasized, since the incorrect use of terms, their combination and mixing leads to distortion of the digital transformation of information and negatively affects the development of the legislative framework. The article formulates approaches to the differences of these concepts and proposes the author's approach to solving the problem. The theoretical and practical significance of the work lies in obtaining proposals that contribute to solving the problem of methodological support of digitalization in accounting in the conditions of digital support in the practical activities of Ukrainian enterprises in the formation of internal documents on the organization of digitalization of the accounting process in the conduct of control procedures.*

**Key words:** digitalization, digital transformation, digitalization, accounting, information system.

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*В статті вирішено мету та завдання, що дозволяє узагальнити зміст ряду термінів та понять в сучасному бухгалтерському обліку. Метою статті є необхідність розкриття відмінностей між поняттями «цифровізація», «цифрова трансформація», «діджиталізація» (або «діджиталізація»), охоплюючи теоретичну та практичну сторони. Авторами доведено, що неврегульованість в Україні багатьох нормативно – правових актів з бухгалтерського обліку, пов'язаних із бурхливим розвитком інформаційно-комунікаційної сфери з появою цифрових технологій, набуває небезпечною характеру. Відмічено, що зараз ще не існує загальноприйнятих і гармонізованих визначень та правових дефініцій цифрової термінології, однак вони вже стрімко захоплюють українські плацдарми для наступу. Підкреслюється важливість розуміння сутності понять, охоплюючи теоретичну та практичну сторони, оскільки не вірне використання термінів, їх компанування та змішування призводить до викривлення цифрової трансформації інформації та негативно впливає на розвиток законодавчої бази. В статті доведено, що у сфері цифрового розвитку бракує офіційно затверджених стратегічних документів, а також державою здійснюється недостатня підтримка цифрової трансформації бізнесу. Також сформульовано підходи до відмінностей цих понять та запропоновано авторський підхід до вирішення проблеми. Теоретична та практична значимість роботи заключається в отриманні пропозицій, які вносять вклад у вирішення проблеми методичного забезпечення діджиталізації в бухгалтерського обліку в умовах цифрового супроводу в практичній діяльності українських підприємств при формуванні внутрішніх документів з організації діджиталізації облікового процесу при проведенні контрольних процедур. Авторами підкреслено, що багатогранність, багатоаспектність та дискусійність питань з проблематики термінології у бухгалтерському обліку зумовлює необхідність подальших досліджень, тому що впливає в кінцевому результаті, навіть, на розвиток законодавчої бази з бухгалтерського обліку. Наявність уніфікованої термінологічної системи законодавства може стати основою для подальшої гармонізації і стандартизації термінології і законодавства в цілому, дозволить удосконалити законотворчий процес, сприятиме підвищенню техніко-юридичного рівня нормативно-правових актів, зростанню їх комунікативної ефективності. Результатом цих нововведень будуть технологічні зрушення.*

**Ключові слова:** діджиталізація, цифрова трансформація, цифровізація, бухгалтерський облік, інформаційна система.

**Problem statement.** Digital development and its actualization in the context of the COVID-19 pandemic, and then the war with Russia, led to a crisis and forced enterprises around the world to recognize their organizational systems as limited. Physical distancing is accompanied by significant limitations, as much of the information comes on the basis of non-verbal methods of communication, but it gives impetus to the development of new forms of communication and communication, the acquisition of skills for such communication. We realized that all physical barriers to communication at a distance were overcome by the Internet. This emphasized the undeniable importance of using digital devices and communication methods to exchange ideas.

The transition to such forms has led to an increase in the use of streaming media, and hence the need for digitalization in society has increased. Everyone has realized that changes in communications driven by new technologies are not only a prerequisite for effective international business today, but also a key to improving it in the future. We agree with the view that in the future our lives will witness the growth of virtual processes organized around various technological solutions, including, eventually, augmented and virtual reality. Thus, the conditions caused by the pandemic and the current war are a test for enterprises that have been reluctant to embrace digital transformation and now find themselves unprepared. At the same time, businesses that not only developed digital strategies

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but also used them before the crisis and before the war now have a huge advantage over competitors. But this does not mean that they neglect the COVID-19-related challenges they face now, regardless of their current level of digital maturity [1, p. 16].

#### **Analysis of main researches and publications.**

A large number of scientific works of domestic and foreign economists, in particular, such as Bonnet D., Kantsedal N. A., Kraus N. M., Mazina O. I., Nazarenko I. M., Neal D., Plaksienko V. Y., Sokolenko L. F., Tarasyuk M., Hauser S., Shishkova N. L. and others, are devoted to the importance of conceptual development and application of digital information technologies in enterprises. At the same time, it should be noted that the multifaceted, multidimensional and controversial issues of terminology in accounting necessitates further research, because it ultimately affects even the development of the legislative framework for accounting.

#### **Formulation of the objectives of the article.**

The purpose of the article is to clarify the differences between the concepts of "digitalization", "digital transformation", "digitalization" (or "digitalization"), covering the theoretical and practical aspects.

#### **Presentation of the main research material.**

The rapid development of digital technologies around the world and the increased need for them during the pandemic have contributed to the rapid spread of a number of terms that have come into everyday use as "digital terminology", notes Mikhrovska M. S. [1, p. 142]. We agree with the author and state that now there are no generally accepted and harmonized definitions and legal definitions of digital terminology, but they are already rapidly capturing Ukrainian bridgeheads for the offensive.

One of the key in the current legal framework of Ukraine regulating digital transformation is the Law of Ukraine "On Electronic Communications" dated 16.12.2020 No. 1089-IX [2]. But we believe that there is a lack of officially approved strategic documents in the field of digital development, as well as insufficient support for digital business transformation by the state. The Law of Ukraine "On the peculiarities of the provision of public (electronic public) services No. 1689-IX dated 15.07.2021 defines the principles of providing electronic public services, public services, integrated electronic public services, automatic mode of providing electronic public services and promotes the further promotion of all electronic services in accounting [3].

Digitalization is becoming the most important factor in the economic growth of any country's economy and is generally a modern development trend [4]. Digitalization, or the introduction of digital technologies in the business model of enterprises began more than 50 years ago. With the advent of more advanced technologies, business efficiency has increased even more. Without digitalization, it

is impossible to work with the best strategists and investors, because they need to be actively immersed in what is happening, to distribute responsibilities and to solve problems quickly.

It should be noted that digital transformation looks different for each individual enterprise, which is what makes it difficult to define an unambiguous concept, the content of which will be applied to all enterprises. In general, digital transformation is the introduction of modern technologies into the business processes of an enterprise. It is this approach that understands not only the installation of modern equipment or software, but also functional changes in approaches to management, external communications. In our opinion, digital information can be defined as a strategic business transformation, when customer behavior determines decisions in the field of corporate technology. That is, we believe that it is an enterprise-wide transformation that affects all parts of the organization. So, digital transformation is not only about technology upgrades, but also about changes in business strategy. We believe that digitalization is a concept that means digital penetration in circumstances where changes are systemic, and digitalization means reorganization of processes through automation and digital communication.

The term "digitalization" in English means the penetration of digital technologies into all spheres of public life. If translated literally, it means "digitization". Digitalization is a conscious approach to the radical transformation of any processes based on the use of digital technologies [5, p. 399]. Some scientists interpret digitalization as a fundamental transformation that is expressed in the deep penetration of digital technologies into business processes, their optimization, increased productivity and improved communication interaction with consumers [6, p. 184]. We believe that this is incorrect, because in this approach the concepts of "digitalization" and "automation" are equated, but they are completely different things, since automation partially or gradually changes the existing structure of public services, business services and other spheres of public activity, and digitalization is associated with a change in the approach to business, the state and public life in general.

We consider the identification of digitalization with automation to be not entirely correct, since in the automation of production, a person is actually exempted from participation in the processes of obtaining, transforming, transmitting and using energy, materials or information, or significantly reduces the degree of this participation or the complexity of the operations performed, however, from a scientific point of view (of course, there is no unity in the scientific community on this issue), digitalization is the process of evolution of economic, social, production, technical and technological, organizational, managerial,

and other relations within society, a change in their subjective-objective orientation, which is caused by the development of information and communication (digital) technologies.

Thus, we have determined that digitalization means the modernization of the IT component, while digital transformation is a change in the enterprise's mindset: modernization of business processes, its organizational system, and the mindset of employees. It is not enough to use only one technology or digitize only one business process to achieve the goal of digital transformation. This is an integrated approach to the use of information technology in all processes of the enterprise. Digitalization in accounting is the digitization of operations for the further application of the entire range of tools. That is, first we digitize the processes (using data technologies: text recognition, images, video, sensors, data on the activity of suppliers and contractors, buyers and customers), and only then use the tools.

Digital transformation includes optimization and automation of processes using digital technologies. Accounting data is digitized, and in the future, algorithms, not employees, can start making decisions.

Atypical mistake on the way to digital transformation is to confuse it with business digitalization. As a result of this mistake, new technologies do not pay off investments, projects fade away, and business management becomes frustrated. Digitalization means modernization of the IT component, while digital transformation is a story of modernization of business processes of the enterprise, its organizational system. V. Fishchuk states that "digitalization is an economic phenomenon and the basis for the leapfrog development of the country's economy [7].

But the main problems of digitalization dictate their conditions for the development and adaptation of accounting at Ukrainian enterprises to future changes (Fig. 1).

We propose the following approaches to solving the above problems:

1. Legislative approach: solving the problem of digitalization of accounting at the state legislative level with the creation and adoption of relevant laws, regulations and orders of the Ministry of Finance of Ukraine.

2. Institutional approach: solving the problem of digitalization of accounting through the need to adapt externally borrowed socio-economic innovations.

3. Technical approach: providing each enterprise with modern computers with a mandatory connection to the Internet for the further possibility of using digital documents in accounting.

4. Qualification approach: organization of a system of mandatory fast and effective training of accounting staff to overcome the adaptation period more quickly.

5. Scientific and intellectual approach: involvement of domestic scientists in the solution of this topic.

Thus, digitalization of accounting is a revolutionary innovation through which new and better solutions are developed for a convenient work process. The result of these innovations is a technological shift. Since digitalization of accounting allows generating, transmitting and interpreting financial and accounting data in electronic format, its benefits are related to increased accuracy of tasks, cost reduction, automation and intelligent data analysis. Digital accounting tools will make the accounting departments of enterprises more automated,



Fig. 1. Problems of digitalization of accounting at Ukrainian enterprises

Source: autor's development

accurate in details and figures, accessible to data, it will be possible to create more reliable data through automation, more secure storage of accounting data through cloud storage, increased productivity through the digitalization of accounting data, increased management efficiency, more transparent, simple and efficient interaction with public authorities, accelerated automation of production, and more.

Digital control systems and data collection and analysis systems have firmly entered the business environment over the past 15–20 years, outlining relevant digital drivers for enterprises. The use of automatic data collection and analysis, industrial sensors, unified enterprise management platforms, machine learning systems for optimal decision making are being implemented and improved in most large enterprises and corporations in Ukraine. Digitalization allows to reduce risks in management and level incomplete information in decision-making. In compliance with information security standards, digitalization can ensure the growth of efficiency of all management processes at the level of our state.

The Boston Consulting Group (BCG) predicts that the digital economy could reach \$ 16 trillion by 2035, and the World Economic Forum estimates that digitalization has enormous potential for business and society and could bring more than \$ 30 trillion in additional revenue to the global economy by 2025. So, digitalization is an innovation that certainly brings changes to accounting. Digital accounting will satisfy buyers and customers with new segments using new technologies and services [9, p. 334]. That is, it is safe to say that digital accounting is a digitized accounting process that transmits financial information using digital methods and tools. Over time, digital opportunities in accounting become more extensive and integrated.

According to International Data Corporation, due to the challenges faced by enterprises in connection with the pandemic, business has begun a steady movement towards a digital future. In the period from 2020–20223, the global volume of investments in direct digital transformation will amount to \$ 6.8 trillion. A survey by McKinsey consulting company, which was conducted in July 2020, showed that: the pandemic has forced businesses to go through the digitalization path in a few months, which would have previously taken three to four years [10].

Thus, the main feature of the digital economy is the digitalization of not only management, but also the very process of substantive activity in all spheres of life and activity. It is necessary to distinguish between two formats of the digital economy: as an infrastructure for the development of the entire society, state, country, economy (today this infrastructure is becoming dominant) and its development is associated with another form of the digital economy – the branches of the national economy, consisting of the relevant

service sectors and the electronic industry (software development, production of computer equipment and components, training, etc.).

Accounting is one of the first to feel the impact of new technologies that require not only their theoretical understanding, but also practical adaptation. An important component of the digitalization of accounting information is the automation of the processes of collecting, exchanging, analyzing and using information in electronic and digital form and the creation of a common information system of enterprises. The processes of implementing digital information systems at the enterprise and their integration into the general digital information system of the industry, the country and the world economy as a whole will contribute to the growth of the value of enterprises for consumers. The sphere of accounting, as one of the most conservative, requires a special approach and developments on this issue.

It is necessary to train accountants, actively introduce digital technologies at enterprises, develop a legislative framework, and solve problems arising in the process of implementation. The competitive advantage of enterprises that own information and communication technologies is obvious and today it is necessary to move more actively on this path. Building a digital economy is a complex but achievable goal, the implementation of which is based on cooperation between the state and business. The result can be achieved by working proactively: relying on the best world practices, developing "digital personnel", introducing advanced information technologies and business models.

Thus, the introduction of digital technologies in the processes of accounting and financial reporting significantly changes not only the practice, but also the theory of accounting – the content of the elements of the accounting method is transformed and the algorithm for their implementation in practice is modified: accounts and double entry are merged with balance sheet generalizations; document flow is transformed into electronic; inventory is transformed into a fast and less time-consuming process, and valuation is approaching a single fair value. Using the achievements of the digital economy will eliminate the current problematic aspects of the accounting procedure at the enterprise.

The lack of regulation in Ukraine of many regulatory legal acts on accounting related to the rapid development of the information and communication sphere with the emergence of digital technologies is becoming dangerous. Misunderstandings with the terminology increase the quality of risks and threats, which become characteristic and grow exponentially compared to the ability to counteract them with the help of regulatory legislation on accounting.

The concepts of digitalization, automation and digital transformation are often equated in scientific

works, public speeches, news and in the legislation itself. This problem is related to the origin of these words from the English language and the very novelty of these concepts and processes for Ukrainian realities. In the context of the pandemic, Ukraine shows high performance in the digitization of public services. The results are the electronic transformation of public policy, but there are certain problems that prevent this from happening faster.

Therefore, we believe that the digitalization of components in accounting work will improve the timing of work, increase the efficiency of enterprises and reduce any operating costs. For society as a whole, digitalization will create a reliable digital environment, optimize operations and give them a new scale in the global digital world.

The regulatory and legal terminology system consists of terms, legal definitions of which are enshrined in normative legal acts – a brief definition of a concept that adequately reveals its content, names its generic and (or) species characteristics, includes its characteristics in a concise and generalized form. The presence of definitions of concepts in normative legal acts by means of legal definitions is important for ensuring the accuracy and unity of terminology and is a prerequisite for an accurate and clear understanding of the normative text. The clarity of the meaning used is especially important for specific concepts and commonly used terms with a narrowly specialized meaning that require textual disclosure of their content in a normative legal act. The traditional way to consolidate legal concepts in the text of a normative legal act is to list the most important concepts with their definitions in the normative provisions included in the general (introductory) part of the normative legal act, where they are formalized in a separate article.

A complex means of consolidation of legal concepts is also widely used: a special article in the introductory part of the normative legal act with a list of definitions of basic concepts and, at the same time, disclosure of specific concepts directly in the text of the main part of the legal norm at their first mention. The rapid updating of the national legislative framework has led to the formation of a significant array of normative legal acts and, accordingly, a rapid increase in the terminology system. The results of the study of the terminology of national legislation indicate the lack of its unification, and, as a result, normative legal acts are supplemented with imperfect definitions, duplicated, there is an unsystematic consolidation of the principles of legal regulation, etc. This creates conditions for ambiguity in the interpretation of the same terms, complicates the understanding of regulatory and legal requirements even in the field of accounting, hinders the search for legal documents in databases and obtaining information about their logical connections with related industries, creates

legal conflicts, etc. The issue of solving the problem of unification of legal terminology is important and urgent. The existence of a unified terminological system of legislation can become the basis for further harmonization and standardization of terminology and legislation in general, will improve the lawmaking process, will contribute to improving the technical and legal level of normative legal acts, increase their communicative effectiveness. Therefore, we consider it necessary to implement changes, reforms and transformations in Ukraine on the basis of "numbers. We propose to develop a comprehensive regulatory approach to digitalization based on the Digital Code of Ukraine. The new Ukrainian world will gain new opportunities and influence the transformation in the country as a whole.

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