

China and India Creating Opportunities in Accounting and Auditing Markets

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Posting double-digit growth rates, the accounting and auditing markets in China and India are creating wide opportunities. Growing economies, dynamic business environments and constantly changing accounting and auditing standards are the main driving forces behind the growth in the reviewed market. Therefore, a number of accounting and auditing companies are opening offices in these countries in order to benefit from such strong expansion.

China's and India's total GDP grew by nearly 11% and 12%, respectively, in 2013 and is projected to grow at an even faster pace in the future. Such increases are much higher than in developed countries like the US or the UK, where growth is around 3-5%. Strong growth in the economies of China and India is driving the expansion of business activities, not only in local markets, but also internationally, thus impacting on the rising demand for accounting and auditing services.

Figure 1 Accounting and Auditing Market Growth

Source: Euromonitor International from National Statistics

Large multinational firms have expertise in international accounting and auditing standards, strong quality control and professional personnel, thus making them very popular among big export-orientated clients. Domestic accounting and auditing firms, on the other hand, are able to benefit from knowledge and understanding of the local culture, political situation and government regulations. Such elements are particularly in demand among small and medium-sized businesses.

Due to the increasing global trade, large international accounting and auditing companies are especially popular among Chinese and Indian clients. The Big Four have remained the top service providers in these markets, although local service providers are also improving their positions. Ruihua Certified Public Accountants and BDO China took the third and fourth places among the top 100 accounting firms in China ranked by the Chinese Institute of Certified Public Accountants in 2014. Ernst & Young and KPMG China were only fifth and sixth. Indian companies are creating strong competition for the Big Four as well. In 2013, the merger of the two largest accounting players in the country – Haribhakti & Co and DB Desai & Co – was expected to significantly challenge the Big Four performance in India.

Being members of international auditors and accountants organisations, such as the International Organisation of Supreme Audit Institutions (INTOSAI) or the International Federation of Accountants (IFAC), results in constant improvements to and changes in requirements for accounting and auditing. Other regulations such as mandatory audit firm rotation, adopted by China in 2010 and India in 2013, and India introducing International Financial Reporting Standards also significantly contributed to the growth in demand for accountants and auditors.

In order to remain competitive, multinational companies have to cooperate with local accounting and auditing firms so as to provide services corresponding to local regulations and traditions. With increasing international trade, China's GDP value catching up with the US, and India adopting International Financial Reporting Standards in 2015, the accounting and auditing firms in the Chinese and Indian markets are projected to continue to see strong expansion.

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