INTERNATIONAL JOURNAL OF INNOVATIVE RESEARCH IN MULTIDISCIPLINARY EDUCATION

ISSN(print): 2833-4515, ISSN(online): 2833-4531

Volume 03 Issue 01 January 2024

DOI: 10.58806/ijirme.2024.v3i1n15

Page No. 116 - 118

Artificial Intelligence Importance in Improving the Quality of Financial Reporting

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ABSTRACT: Artificial Intelligence plays a great role in improving the quality of financial reporting to the stakeholders as it can free up the human resources and improves security measures as well as makes sure that the organisation is going in right technological direction or not. This kind of technology is also helpful in retaining customers towards business which is the main cause of this research study. The time and cost are to be used in an effective manner by the organisation that helps in improving its overall performance. The current research has covered secondary sources for collecting qualitative data in a successful manner.

INTRODUCTION

Artificial intelligence has been a game changer for every industry. It involves building smart machines to perform tasks that previously required human intelligence. It saves both time and money of every organisation and also provides great insights (GALLO, 2022). Organisations want to stay competitive and attract next generation of customers and employees, for that they need to adopt the latest trends and technologies. Adopting AI based systems for accounting and finance as well as providing financial reporting to the stakeholders will help financial firms in achieving these goals. Adding artificial intelligence to financial reporting would also reduce errors, which would improve the quality of work.

STUDY PURPOSE

The purpose of this study is to determine the importance of Artificial Intelligence in improving the quality of financial reporting to the stakeholders. This would help understand its application and importance in the financial industry. It will also help assess the use of AI in quality financial reporting which is necessary for every organization.

STUDY PROBLEM

Acquiring and retaining customers is the most important task for every organisation. The newer generation is looking for the latest trends and technologies. Therefore, it is important for every organisation to adopt the latest technology (Yang, Zhou and Sun, 2022). Companies also invest a lot of time and resources in financial reporting. This time and resources can be utilised better, with the help of a substitute which will make them more efficient.

SIGNIFICANCE OF STUDY

This research is important because artificial intelligence has been one of the most trending topic in the last few years. While the focus and attention given to AI has been high, the benefits of AI have still not been communicated effectively. A majority of businesses across industries still trust human judgement over computer intelligence. Therefore, it becomes important to communicate the benefits of adopting artificial intelligence for improving the quality of financial reporting to the stakeholders of the organisation.

LITERATURE REVIEW-

Introduction

Literature review is related to the study of the topic of research. In this, different viewpoints of various authors are taken into consideration on the given topic. This demonstrates the knowledge of writers about the given topic (Nyunga Mpinda and et.al., 2021). The viewpoint of different authors also helps in critical evaluating the topic of research.

Viewpoint of different authors

As per the viewpoint of Bernard Marr, there are immense benefits of adopting artificial intelligence for accounting and finance. It would attract new employees and customers, and help organisations remain competitive. According to Accenture consulting, the technology of AI can reduce costs by almost 80% for the companies and thereby can provide assistance in improving the quality of financial reporting to the stakeholders. Additionally, it would also save 80% to 90% of the company which can then be better utilised by the organisation. This saved time can then be used by accountants to focus on providing counsel to their clients (Oh and Kwon, 2020). Apart from saving time and money, adding AI will also improve the quality of work by reducing errors. The new generation (millennials and Gen Z) grew up with technology, hence it is important for the company to adopt the latest technologies and innovation to attract them.

According to Mani Nagasundaram, SVP and head of solutions, HCL Technologies, pandemic will put an end to AI and machine learning experiments, and lead to their adoption at large scales. The crisis led to many changes across the industry, organisations needed to respond to customers' needs around the clock. This has sparked an interest in AI and ML, which reduce the need for manual operations and helps in the process of improving the quality of financial reporting to the stakeholders. It also improves security and leaves room for innovation. Banks are transforming into digital entities to improve customer experience. Pandemic has highlighted particular areas where AI can be put to use (Lee, 2020). Fraud prevention, and improving customer experience through chatbots etc. are some places where AI can be particularly useful.

As per Christopher Sonzogni, AI has already made a huge impact in accounting and finance. There are major reasons for this rapid growth. In the last few years, there has been an exponential growth of data generated through internet. This has allowed computation and exploration of data for analysis purposes. It has also provided AI and ML enough data to make models for forecasting. Almost all basic accounting tasks like payroll, taxation and audits can now be done through AI, which has brought a big change to the accounting sector. AI has improved the productivity and output quality drastically and also provides greater transparency and helps in forecasting financial statements accurately. In this manner the technology of Artificial Intelligence facilitates in making improvements within the financial reporting to the stakeholders.

According to Shivani Govil, it is pretty clear that AI and automation will revolution the way we work. However, it is still not clear as to how much it would affect the accounting profession (Troiano, Bhandari and Villa, 2020). It is easy for finance professionals to think that the industry is immune from major changes. However, the repetitive nature of many accounting tasks shows that it is ideal for disruption. AI can convert a backward looking bookkeeping task into a task that can deliver forward looking insights. As of now algorithms and codes are written by humans for instructing computers to perform tasks. However, there might be a time when computers can think for themselves.

According to Dennis Najjar, AI can help us make in depth, constant analysis of factors which we think are important for the success of an organisation. By picking key performance indicators, or KPIs, clear and comprehensive insights can be made. These can then translate to better accounting practices. These tools help us measure performance, observe trends and identify solutions for ongoing problems. Accounting departments can forecast cash flows timeline more precisely with the help of AI.

AI is already good at most things like increasing efficiency and accuracy, discovering trends, uploading documents, understanding entries and classifying them into categories (Bansal and et.al., 2021). And the best thing about AI is, unlike human, it never sleeps, never wears out and doesn't make mistakes. These reasons show enough evidence to support that AI is here to stay. Therefore, it becomes necessary for companies to embrace AI more and more in the coming future.

RESEARCH METHODOLOGY

Research methodology consists of the research philosophies, approaches, strategies, methods of collecting as well as analysing data, time horizon and so on. Within the current research interpretivism research philosophy and inductive approach is used in order to collect qualitative data from secondary sources like books, articles, etc. Interpretivism research philosophy has been used by the investigator because it facilitates the researcher in collecting qualitative information in a generalised manner. Inductive research approach has been used by the investigator because it helps in gathering information which is related to the topic of interest. This kind of research approach starts with a combination of the empirical observations, observing patterns within such observations and then developing theories regarding those patterns (Rai, 2020). The time horizon that is used by researcher for conducting the current research is cross-sectional as this kind of time horizon provide assistance to the investigator in collecting qualitative information within short period of time which makes the entire research cost-effective. The qualitative data collection method has been chosen by researcher because it helps the investigator in collecting in-depth information about the research topic from a variety of secondary sources.

CONCLUSION

From above explanation, it has been concluded that the concept of Artificial Intelligence is significant for the organisation to adopt as it helps a business in saving its both time as well as cost effectively. The current research project has been addressed the purpose of this research study including impact of Artificial Intelligence on the finance industry and also plays a major role in improving the quality of the financial reporting to the stakeholders. Within this existing research, secondary method of data collection has been used for gathering qualitative data through books, articles, journals and many others. In such manner, the impact of artificial intelligence on finance industry has been determined in such a way that it is significant in improving the quality of financial reporting to the Stakeholders.

RECOMMENDATIONS

From above discussion, it is recommended to the organisations within the finance industry that businesses are required to adopt Artificial Intelligence within their business operations. This will provide assistance to the organisations in improving the quality of financial reporting to the stakeholders so that they can better predict as well as assess the risks associated with the loans. The organisations within the respective industry are also recommended to enhance their value through AI technologies like Machine Learning in improving the loan underwriting as well as minimising financial risks.

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