GEN AI IN FINANCE: UNLOCKING STRATEGIC DECISION-MAKING

Abstract

Businesses can use Gen AI in finance and accounting to transform core processes, mitigate risks, and reinvent business partnering. The technology will help accounting teams provide recommendations to their management, explain variances, create reports, and make strategic decisions using forward-looking insights.

Let us dive deeper into the use cases, benefits, risks and opportunities, best practices, and the future of artificial intelligence in finance and accounting.

Infosys®

Navigate your next

Generative AI helps teams analyse trends and patterns in existing data, igniting a revolution in the finance and accounting process. Given the way Gen AI functions in the finance industry, it could increase the productivity of employees by 1.5% and boost the world economy by 7%. CFOs must notice its potential to enhance accuracy and efficiency.

Gen AI use cases in finance and accounting

The current and long-term prospects of Gen AI in finance and accounting focus on augmenting existing processes across the finance and accounting value chain. Here are the several use cases of Gen AI within the process –

• Accounts and finance reporting – Creating monthly and quarterly reports, financial statements, and audit trails and extracting insights for reclassification memos. For example, the finance team inputs monthly profit and loss statements into the Gen AI tool to identify the products and services that are lagging and need more attention to raise profits.

The Gen AI tool compares the company's internal statements with those of the competitors and market standards. It generates a report with recommendations on short-term, medium-term, and long-term actions.

• Planning and performance monitoring – Businesses need to analyse and compare reports that indicate the variation between the current and expected financial performance. Gen AI can produce reports for internal management and external stakeholders to explain the financial performance.

For example, a user inputs financial reports and agreed projections with a specific

stakeholder into the Gen AI tool. The system will create a personalised report for that stakeholder by comparing the financial report and the projections agreed upon.

• Managing investor relations – Businesses that raise angel investors' or venture capitalists' money need to demonstrate their performance. Companies that are listed need to roll out quarterly and annual financial statements for their investors. Reports for investors also talk about the company's current products and services, future innovations, research, and financial projections.

Gen AI can parse through the huge data set of financial statements, research outcomes, innovations, products, and services and quickly produce investor communication emails or reports. Gen AI can also quickly respond to potential investor questions on social media regarding the company's financial performance.

• **Transforming core processes** – Gen AI will work as a co-pilot that explains reasons for a certain financial outcome and provides recommendations. It will help transform core processes such as invoicing, contract drafting, and general ledger review. As Gen AI learns from large data sets, it will integrate flawlessly with manual processes to improve the efficiency of core processes by more than 20%.

For example, Optical Character Readers (OCRs) and natural language processing (NLP) will assist in automatically processing invoices and ledger entries and in drafting contracts. These will augment the capabilities of Gen AI in transforming core processes.

• **Business planning and insights** – Generating business intelligence and insights is key to its growth. Gen AI consolidates local, regional, and national financial statements and P&Ls for corporate financial planning and analysis (FP&A). This helps the management form a narrative

about national business performance based on consolidated data.

FP&A executives feed the general ledger data and P&L statements into the Gen AI tool and query insights into general business performance and investment opportunities. The Gen AI tool makes recommendations based on geographies or lines of business. It highlights areas that are performing well and those that need cost cuts. It shows lines of business that are underperforming but have significant growth potential, provided the business invests.

• **Risk identification and mitigation** – Use Gen AI in audit and control to identify anomalies that may indicate a potential risk, such as fraud and non-compliance. By identifying the risks in a timely, you can avoid unexpected audit findings and potential financial and reputation damage.

For example, a company's audit reports reveal shortcomings that pose a risk of financial loss. To avoid this, the company decided to put a second line of defence that detects such risks before the audit. However, due to resource and budget constraints, the team decided to leverage Gen AI, which works as an assistant to the existing team as a second line of defence.

• **Document analysis** – Gen AI can quickly analyse and extract key information from

large documents, such as financial reports and business contracts, which humans can easily miss. Humans can use this information to analyse several scenarios and make strategic decisions.

For example, a company releases its annual P&L and balance sheets for market investors. The finance team inputs several reports into the Gen AI tool and instructs it to produce a report that can be sent to the exchange and released on the company's website. Gen AI analyses the reports to produce a document that is compliant with the format and market standards.

• **Conversational finance** – Gen AI can give natural and contextually relevant responses in conversational finance through AI-powered chatbots and virtual assistants. Both external customers and internal teams can use Gen AI in conversational finance.

For example, conversing with a bank through text messaging is an example of conversational finance powered by Gen AI. A bank account holder traverses the options on the menu to get their desired result. An example of conversational finance within the company is processing an invoice through multiple levels and departments.

Benefits of Gen AI in finance and accounting

Gen AI can impact finance and accounting through digitisation and optimisation of critical processes. These include accounts payable, accounts receivable, liquidity management, spend management, cash flow management, liquidity management, and working capital management. Generative AI in finance transforms these processes through automation and analysis of vast data sets. Here are the benefits of Gen AI –

• Better insights and decision-making for finance professionals to uncover insights, assess risks, make recommendations, and make accurate predictions.

• Increase efficiency and cost-savings and reduce manual errors in financial operations, especially in repetitive tasks.

• Generate clear, concise, and contextually relevant responses for customers through chatbots. The tool uses massive

data in the form of text, audio, videos, and numerical data points to achieve this.

• Automate labour-intensive and repetitive tasks to free the accountant's time so that they can focus on tasks that require human judgment and expertise.

• Gen AI assists businesses in financial compliance by automating the tracking and reporting of transactions, thus preventing any penalties.

Gen AI in finance and accounting best practices

While these best practices are relevant for all the applications of Gen AI, they hold special significance in finance and accounting because they have a direct impact on the business's financial health. The best practices you should follow while implementing and using Gen AI in finance and accounting are –

- Test the Gen AI tool internally before rolling it out for external stakeholders. An incorrect result will not tarnish the CFO's reputation within the company but may do so externally. Keep testing and building the system internally till it is ready for external roll-out.

- Since the system is accessing your financial reports and giving results based on analysis, you must emphasise data privacy and security. The information should be accessible only to authorised personnel.

- During the initial stages, have a human AI subject expert analyse the results of the tool before you incorporate them into a document or send them to external stakeholders. Once the system has learned from enough data and the results are consistent, you can let it do the job without human verification.

- Give relevant and contextual instructions to the Gen AI model since the results it produces rely on the quality of the prompts. Train your team to write high-quality prompts for the Gen AI tool.

- Use the Gen AI tool or a chatbot that specialises in the finance and accounting domain. Doing so will give you maximum value in accounting, decision-making, risk analysis, finance, and compliance.

- Traditional machine learning models handle quantitative and predictive tasks, so start with use cases that require creating new content.

How should the CFOs prepare for Gen AI?

Embracing Gen AI is key to having a competitive finance and accounting process within the organisation. Financial businesses such as banks and investment firms must leverage Gen AI, and the CFOs can take the following steps to make it happen –

- Identify and get a Gen AI partner onboard with specialisation in finance processes.

- Use the available use cases to create proofs of concept with a low entry barrier.

- Lead the collaboration among internal teams and the Gen AI partner.

- Discuss data security and privacy concerns and ensure that the Gen AI implementation partner has the necessary systems and processes in place.

- Champion the Gen AI transformation by getting every stakeholder on board, including the top management and the finance and accounts teams.

Conclusion

Gen AI has the power to transform your core finance and accounting operations. Leverage an AI-first platform to accelerate value creation and technology integration for higher cost-savings and work efficiency.

By using AI in finance and accounting processes, you can modernise operations and take massive leaps in decision-making. Upskill your human resources to make high-value strategic decisions. At the same time, the Gen AI tool does the job of analysing documents, processing invoices, making ledger entries, producing reports, and interacting with internal and external stakeholders.

Infosys®
Navigate your next

For more information, contact infosysbpm@infosys.com

Infosysbpm.com

Stay Connected