



## UNLOCKING THE FUTURE OF FINANCE

### Abstract

Artificial Intelligence, seen only in futuristic, sci-fi movies just a few years ago is today becoming an ever-present, inescapable reality across industries, and especially so in the finance and accounting landscape. This paper attempts to demystify the seemingly surreal rise of the technology, detail out its capabilities, and delineate the challenges it faces in its inexorable march to reshape and transform how finance will be done in the future.

In the fast-paced world of finance, where data-driven decisions and precision are paramount, a disruptive new force has emerged – Generative Artificial Intelligence

(AI). With its almost human-like ability to generate content, predictions, and insights, AI is reshaping the finance and accounting (F&A) landscape, offering a myriad

possibility to address both strategic visions as well as tactical challenges.



## Demystifying the rise of AI

The idea of AI dates back to the mid-20th century when computer scientists like Alan Turing and John McCarthy proposed the concept of machines that could simulate human intelligence. Early AI programs were designed for simple tasks, but with the field marked by optimism and high expectations, the focus soon shifted from simple rule-based systems to machine learning (ML) algorithms. ML enabled computers to learn from data and improve their performance over time, and this period saw the development of algorithms like neural networks and decision trees.

In more recent times, the availability of massive datasets and increased computing

power has greatly propelled the growth of AI. Deep learning, a subset of machine learning quickly gained prominence, particularly with the success of deep neural networks known as convolutional neural networks and recurrent neural networks. These technologies fueled significant advancements in image and speech recognition, natural language processing, and in autonomous vehicles.

Today, machine learning techniques have progressed to an even greater degree, finding practical applications across various industries and fields such as in AI-driven fraud detection. AI and RPA are now becoming integral to business

operations, automating repetitive tasks and processes, improving efficiency, and reducing costs. Further, AI models like GPT-3 and BERT have achieved remarkable results in natural language understanding and generation, leading to breakthroughs in chatbots, language translation, and content generation. Already, AI-generated art, music and literature are rapidly blurring the lines between human and machine creativity. AI continues to evolve, with ongoing research in areas like quantum computing, explainable AI, AI ethics and AI-powered innovation across industries.

## When sci-fi becomes present reality

Just a few years ago, AI appeared to be the stuff of futuristic, sci-fi movies. Yet, with surreal speed, it has already become a world-wide phenomenon, with countries and organisations investing heavily in AI research, development, and adoption to maintain competitiveness in the digital age. Like with several other industries, the rise of practical AI applications is benefitting the F&A domain as well, in numerous ways as detailed below.

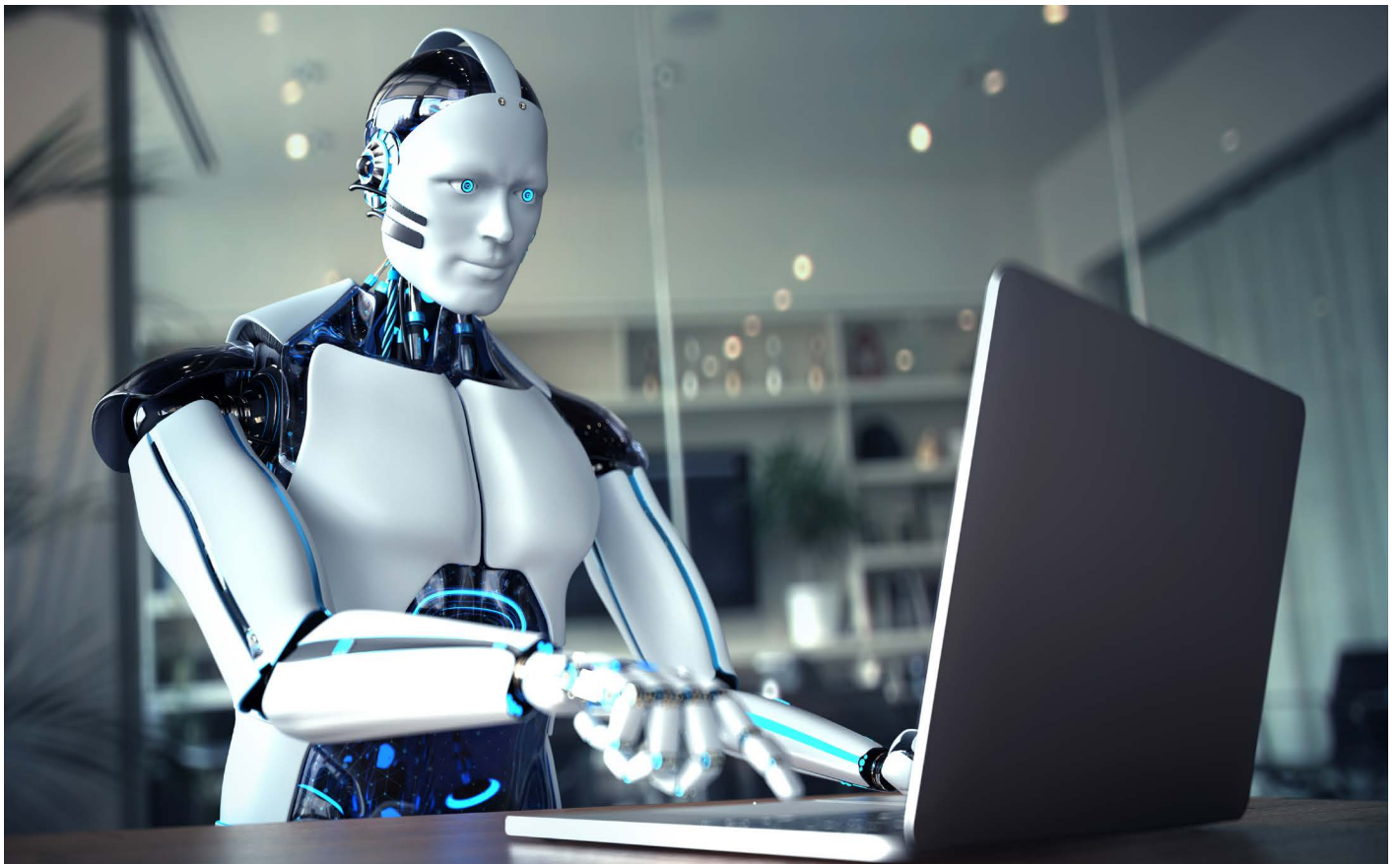
- **Automated insights for strategic vision:** An AI-powered engine can analyse complex financial data to create comprehensive reports, instantly. Thus, almost magically, AI is breathing new life into the dreary realm of financial reporting by automating the creation of balance sheets, income statements, and cash flow summaries. This streamlined approach is saving time, minimising errors, and freeing up financial experts

to focus on strategic decision-making.

- **Future-focused predictions:** Embracing generative AI means embracing the future. By effortlessly sifting through massive amounts of historical financial data, AI models can offer insights that go beyond human capability. And so, through predicting market trends, fluctuations, and potential risks, AI is empowering finance professionals with foresight and aiding them in crafting proactive strategies.
- **Human-like customer support:** Today's customers expect, and often demand, swift yet accurate responses to their financial inquiries. Here is where generative AI-driven chatbots shine, through providing real-time customer support often indistinguishable from that provided by a real human. Through delivering instant and personalised support for inquiries on account

balances to those on transaction histories, these intelligent assistants are greatly enhancing the financial customer's experience.

- **Simplified compliance:** A labyrinth of regulations is a hallmark of finance and accounting, and successfully navigating through them has always been challenging. Generative AI is lending a helping hand by scanning financial records to identify potential compliance breaches, thus ensuring organisations adhere to regulatory standards.
- **Natural language reporting:** breaking down financial jargon into understandable narratives – that's the magic of Generative AI. AI is already being leveraged for transforming complex financial data into digestible stories that resonate with individuals of varying financial backgrounds.





## Exploring the flip side

Though AI in F&A is a rapidly evolving field, it will have to face and overcome several critical challenges and obstacles as it continues its rapid growth in the industry. Some of these are worth examining:

- **The problems of data:** AI models in F&A heavily depend on data for their insights. Ensuring data accuracy, consistency, and completeness can be challenging, especially when dealing with legacy systems and unstructured data sources. Further, as organisations grow, their data and processing requirements increase. Ensuring that AI systems can scale to handle the growing volumes of data and transactions is essential. Data security is another growing area of concern. While AI can be used to detect fraud, fraudsters are in tandem growing in their sophistication while exploiting vulnerabilities in AI-based systems.

- **Regulatory compliance:** The financial industry is highly regulated, and financial organisations using AI systems are required to maintain compliance with existing and evolving regulations and standards. For instance, financial data being highly sensitive is subject to strict privacy regulations like GDPR and HIPAA. However, ensuring that AI systems meet these requirements can be a significant challenge because AI models, particularly the deep learning algorithms are often seen as “black boxes,” which makes it challenging to explain their decisions. This lack of transparency can be problematic for the auditability of processes, which is crucial for regulatory compliance.

- **Model bias and maintainability:** AI models can inherit biases from training data, potentially leading to unfair or discriminatory outcomes, particularly

in lending, credit scoring, and hiring processes. Mitigating these biases to ensure fairness will be an ongoing challenge especially because AI models degrade over time as data distributions change. Continuously retraining and maintaining models is necessary for long-term success.

- **The problem of skill:** There is a shortage of AI and data science talent in the job market. Finding and retaining skilled professionals can be a significant challenge. More crucially, as AI grows in its capabilities, finding the right balance between human and AI involvement in F&A processes can become very challenging. It will be crucial to ensure that AI enhances human decision-making rather than replacing it entirely.



## An inexorable reshaping of F&A

Despite AI facing its fair share of sobering challenges in F&A, it is unsurprisingly gaining traction with both proven and promising use cases across a wide variety of scenarios. That's because, in a landscape where information processing is core and where every decimal point counts,

its ability to discern patterns, anticipate trends, and execute intricate tasks shines brightly.

As many experts opine, generative AI's integration into the F&A domain heralds an era of increased efficiency, precision, and strategic agility. As this technology

continues to evolve, it has the potential to empower financial professionals, reshape decision-making paradigms, and pave the way for a more resilient and adaptable financial future. Welcome to a bold new age, where the future of finance is being reimaged, one algorithm at a time.

### Authors



**Manjunath Swaminathan**  
*Principal Consultant, Infosys BPM*

Manjunath (Manju) is a Principal Consultant at Infosys BPM, and is based out of London, United Kingdom. He has been a part of the Infosys BPM for over a decade, and has worked across multiple domains. An expert in digital transformation, Manju holds customer delivery at his core, specializing in AI implementation and leading technology-driven initiatives across EMEA region.



**Namrata Singh**  
*Industry Principal, Infosys BPM*

Namrata is an Industry Principal at Infosys BPM, and is based out of Bangalore, India. She has been with Infosys Group for over two decades, and has worked across multiple domains. She has extensive experience in Product & Platform development, IT services and Digital transformation across multiple industries.

For more information, contact [infosysbpm@infosys.com](mailto:infosysbpm@infosys.com)



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