



ARTIFICIAL INTELLIGENCE AND ACCOUNTING: LEADING AI ACCOUNTING SYSTEM PROVIDERS, ROLE OF AI IN FINANCIAL FUNCTIONS IN THE INDIAN CONTEXT AND CHALLENGES AHEAD

Dr. Rohan Joshi

National College of Commerce, Gujarat University, Ahmedabad, Gujarat

ABSTRACT

This paper explores the intersection of Artificial Intelligence (AI) and accounting, focusing on the prominent AI accounting system providers, the evolving role of AI in financial functions within the Indian context, and the challenges that lie ahead in this dynamic landscape. The first section provides an overview of the leading AI accounting system providers, analysing their key features, functionalities, and market impact. Emphasis is placed on how these advanced technologies are reshaping traditional accounting processes, enhancing accuracy, efficiency, and decision-making capabilities for businesses of all sizes. The second section delves into the specific role of AI in financial functions within the Indian context. With India emerging as a global economic powerhouse, the integration of AI in accounting practices has become pivotal. The paper explores how AI technologies are streamlining tasks such as data entry, reconciliation, and financial analysis, enabling organizations to adapt to the rapidly changing economic environment. Furthermore, the paper examines the transformative potential of AI in areas such as fraud detection, risk management, and compliance, highlighting the positive impact on overall financial governance and regulatory adherence in the Indian business landscape. The final section addresses the challenges that arise as AI becomes more deeply ingrained in accounting processes. These challenges encompass ethical considerations, data security concerns, skill gaps, and the need for regulatory frameworks to govern the use of AI in financial operations. The paper discusses potential strategies for overcoming these challenges and ensuring the responsible and effective implementation of AI in accounting practices.

KEYWORDS: Accounting, Artificial Intelligence, Financial Functions, Risk Management

INTRODUCTION, HISTORY AND EVOLUTION:

Recently, Amazon Company has started using Robots for inventory keeping and transportation from and within warehouses. This is the outstanding illustration of automation and robotics spread in routine business. In Ahmedabad Science City, Robots are catering foods in café. Alexa is used widely to operate TV and other electronic appliances at home. Financial Products are being transformed and now being offered from online platforms. All these are fruits of Artificial Intelligence. Automation, machine learning, robotics, block chain technology and so on are the branches of Artificial Intelligence.

- AI in accounting began in the 1980s with expert systems designed to emulate human expertise in accounting tasks.
- The evolution of machine learning and big data analysis in the 21st century enabled AI to handle complex financial data.
- AI accounting has automated repetitive tasks, reduced errors, and provided real-time insights into financial data.

Artificial intelligence (AI) is increasingly being used in accounting practices in India to improve efficiency, accuracy, and decision-making. Some key applications include:

1. Automation of Repetitive Tasks: AI is used to automate routine data entry, transaction coding, and reconciliation, reducing the time and effort required for manual tasks.

e.g. As soon as we scan the Bar Code and make online payment for ticket booking at theatre, railway, bus it does different tasks simultaneously the concerned seat booking immediately, gives immediate booking confirmation through SMS/e-mail, shows the seat booked to other web-site visitors, credits the amount immediately in bank account of theatre, railway or bus.

Earlier the physical presence at theatre/railway station/bus station, cash payment and manual receipt/ticket confirmation was the regular process. The said process was time-consuming and there were chances of manual errors before Automation of this process.

2. Data Analysis and Reporting: Financial Data is available on mobile or computer 27 x 7. AI tools can analyze large volumes of financial data quickly and generate insights for financial reporting, budgeting, and forecasting.

3. Fraud Prevention and Fraud Detection: AI algorithms can identify suspicious transactions and patterns, helping to prevent and detect financial fraud.

e.g. Previously, in traditional accounting specially for small and medium sized businesses, the accountant had the access of cash flow and cash book both. So data tempering was quite possible. Now, in digital era all these possibilities are reduced to the rare.

e.g. Purchase and Sales Rates and Quantities of various goods are entered and fixed automatically. Hence, upon day-end cash/bank balance counting and its comparison with sales invoices generated, the deviation (if any) can be found immediately.

4. Expense Management: AI-powered expense management systems can categorize expenses, validate receipts, and streamline reimbursement processes.

5. Audit Support: AI assists auditors by analyzing financial data for anomalies and discrepancies, making audits more efficient.

e.g. Auditor can generate real time stock report, cash statement online himself and check with physical stock and cash.

6. Predictive Analytics: AI can be used to predict future financial trends and risks, helping businesses make informed decisions.

7. Customer Support: Chatbots and virtual assistants are used to provide customer support for accounting queries.

e.g. Through mobile apps, what'sapp number routine inquiries and complaints are registered and upon resolution the same are informed to customers through SMS/E-mail.

8. Tax Compliance: AI can assist in tax calculations, compliance, and filing, helping individuals and businesses meet their tax obligations.

9. Financial Planning: AI-driven tools can help individuals and businesses with financial planning, investment recommendations, and retirement planning.

e.g. On Policy Bazar.Com, user can see the comparative analysis of insurance plans offered by different companies.

Regulatory Compliance: AI can help organizations stay compliant with changing accounting and financial regulations.

Positive Changes due to AI Accounting Function:

- 1. Automation:** AI has automated data entry, reconciliation, and report generation.
- 2. Accuracy:** Reduced human errors and improved data accuracy.
- 3. Efficiency:** Faster processing and reduced manual workloads.
- 4. Predictive Analysis:** AI helps with forecasting and identifying trends.
- 5. Cost Savings:** Lower operational costs due to automation.
- 6. Real-Time Reporting:** Instant access to financial data.
- 7. Compliance:** Improved compliance with changing regulations.
- 8. Scalability:** Easily scale accounting processes as a business grows.
- 9. Data Security:** Enhanced security for financial data.
- 10. Customer Insights:** AI provides insights into customer behavior and preferences.

Few Leading AI Accounting Providers: Worldwide:

1. Intuit (QuickBooks):

- Intuit, the company behind QuickBooks, is a U.S.-based software company.

- Founded in 1983 by Scott Cook and Tom Proulx.
- QuickBooks, its accounting software, has millions of users globally, making it one of the most widely used accounting solutions worldwide.
- The company continually enhances its software with AI features to improve efficiency and user experience.

2. Sage Group (Sage Business Cloud Accounting):

- Sage Group is a British multinational software company.
- Founded in 1981 by David Goldman, Paul Muller, and Graham Wylie.
- Sage provides various accounting and business management solutions, including Sage Business Cloud Accounting, which incorporates AI-driven features.

Asia:

1. Zoho Corporation (Zoho Books):

- Zoho is an Indian-founded global software company with a significant presence in Asia.
- Founded in 1996 by Sridhar Vembu and Tony Thomas.
- Zoho Books is a cloud-based accounting software used in India and other parts of Asia. It offers AI features to enhance the accounting process.

India:

1. Tally Solutions (TallyPrime):

- Tally Solutions is an Indian company known for Tally, a popular accounting software in India.
- Founded in 1986 by Shyam Sunder Goenka.
- Tally has been widely used in India for several decades and has incorporated AI features, such as auto bank reconciliation and auto entry suggestions.

2. ClearTax:

- ClearTax is an Indian company offering AI-driven tax solutions.
- Founded by Archit Gupta in 2011.
- ClearTax provides tax filing, GST, and financial compliance services in India and has gained popularity for its AI-based solutions.

3. Sparsh GST Software:

- Sparsh GST Software is an Indian product designed specifically for GST compliance.
- The company, Sparshsoft Technologies, provides AI-driven GST solutions for businesses in India.

Other Corporates offering AI Based Accounting Software Services:

1. **KPMG's KPMG Clara:** KPMG Clara is an AI platform used for audit and accounting services, providing data analytics and insights for clients.
2. **IBM Watson for Financial Services:** IBM Watson offers AI-driven solutions for financial institutions and accounting firms, assisting with data analysis and risk assessment.
3. **Xero:** Xero, a cloud-based accounting software, has integrated AI for automating bank reconciliation and categorizing expenses.
4. **Giddh:** Giddh is an Indian accounting software that employs AI for invoice matching, expense tracking, and financial statement generation.
5. **Genpact's AI-powered finance and accounting solutions:** Genpact provides AI-driven services to streamline finance and accounting processes for businesses.
6. **Artificial Intelligence Taxation Software:** Several Indian startups have developed AI-based taxation software to assist with tax calculations and compliance.
7. **Tara AI:** Tara AI offers AI-powered expense management and invoice processing solutions for businesses.

New AI Accounting Startups in India:

- New start-ups in AI accounting include KlearStack, Defmacro Software, MeraMoney, and others. These start-ups offer innovative AI-driven solutions for various accounting and financial needs.

Role of AI in Financial Functions (Examples):

1. **Financial Analysis:** AI analyses financial data for trends and patterns, helping in decision-making.
2. **Budgeting:** AI predicts expenses and revenues to create accurate budgets.
3. **Risk Management:** AI identifies financial risks and suggests strategies to mitigate them.
4. **Inventory Management:** AI optimizes stock levels based on demand forecasting.
5. **Investment Management:** AI recommends investment strategies and portfolio adjustments.

Challenges in Implementation in India:

1. **Data Quality:** Inaccurate or incomplete data can lead to AI errors.
2. **Data Privacy:** Protecting sensitive financial data is a concern.
3. **Regulatory Compliance:** Adhering to changing tax and accounting laws.
4. **Lack of Awareness:** Many businesses are unaware of AI's potential.
5. **Integration:** Integrating AI with existing systems can be complex.

Tally Prime is widely used popular accounting software in India. Here are some AI tools and features within Tally Prime from which we can see the extent of automated accounting functions tailored through AI based Accounting Programme. :

Below AI tools in Tally Prime are designed to streamline accounting processes, reduce manual data entry, and improve accuracy in financial reporting.

1. **Auto Bank Reconciliation:** Tally Prime uses AI to automate the process of reconciling bank transactions with accounting entries, making it faster and more accurate.
2. **Auto Entry Suggestions:** The software provides auto-suggestions for ledger entries based on historical data, improving efficiency in data entry.
3. **Auto GST Filing:** TallyPrime uses AI to help businesses calculate GST (Goods and Services Tax) liability, prepare GST returns, and file them with accuracy and compliance.
4. **Auto Invoice Matching:** TallyPrime's AI helps businesses match invoices with purchase orders, reducing errors and ensuring proper bookkeeping.
5. **Intelligent Business Reports:** The software offers intelligent insights and business reports by analyzing financial data, aiding in decision-making and financial planning.
6. **Predictive Text Input:** TallyPrime uses AI to predict and complete text entries, simplifying data input and reducing keystrokes.
7. **Auto Interest Calculation:** The software can automatically calculate interest on overdue payments and adjust accounts accordingly.
8. **Inventory Insights:** AI-driven inventory reports and suggestions help in managing stock levels efficiently.
9. **Data Accuracy:** TallyPrime's AI checks for data accuracy and compliance with accounting and taxation standards.

AI tools can be highly beneficial for various financial and accounting tasks in India, including budgeting, cash flow management, tax planning, inventory management, and investment management. Here's how AI tools can assist in each of these areas:

1. Budgeting:

- AI tools can analyze historical financial data to provide insights into past spending patterns and revenue trends. This information helps businesses and individuals create more accurate and realistic budgets.
- AI-driven predictive analytics can forecast future expenses and revenues, aiding in long-term financial planning.

2. Cash Flow Management:

- AI tools can provide real-time insights into cash flow by tracking income and expenses. This enables businesses to make informed decisions about managing working capital effectively.
- Automated cash flow forecasts help identify potential cash shortages or surpluses, allowing businesses to take proactive measures.

3. Tax Planning:

- AI can assist with tax planning by analyzing financial data to identify potential deductions, credits, and tax-efficient strategies.
- AI-driven tax software can help individuals and businesses calculate and optimize their tax liability, taking into account changing tax laws in India.

4. Inventory Management:

- AI tools can optimize inventory management by forecasting demand, suggesting reorder points, and identifying slow-moving or obsolete items.
- They can also analyze sales data to assist with pricing and stocking decisions.

5. Investment Management:

- AI-powered investment management platforms can recommend investment strategies and portfolios based on individual risk tolerance and financial goals.
- AI can monitor and analyze market data, news, and trends to make real-time investment decisions, helping individuals and businesses maximize returns on investments.

In the Indian context, these AI tools can help businesses and individuals make data-driven financial decisions, improve accuracy, reduce manual effort, and stay compliant with evolving tax regulations. They can also support businesses in managing their supply chains more efficiently, which is critical in a market as

diverse and dynamic as India.

It's important to select AI tools that are tailored to specific needs and ensure they comply with Indian financial regulations and taxation laws. Additionally, staying updated on the latest AI developments and trends in the Indian financial sector can be beneficial for leveraging these tools effectively.

CONCLUSION

In conclusion, the application of artificial intelligence (AI) in accounting has significantly enhanced financial procedures both domestically and internationally. In financial management, jobs have been automated, accuracy has increased, and efficiency has been boosted thanks to the progression from expert systems in the 1980s to today's sophisticated machine learning and data analysis. Prominent AI accounting companies, like Tally Solutions, Intuit, Sage Group, Zoho Corporation, and others, have been instrumental in providing AI-powered solutions that simplify bookkeeping procedures and enable users. AI has completely changed the way that financial operations including analysis, budgeting, risk management, inventory control, and investment management are done. However, there are issues in India that need to be addressed, including as integration, awareness, privacy, compliance, and data quality. The potential of AI to adapt to Indian accounting needs is demonstrated by features like auto bank reconciliation and auto GST filing found in software such as Tally Prime. AI solutions in India support data-driven decision-making and tax compliance by helping with budgeting, cash flow management, tax planning, inventory, and investment management. To fully realize the potential of AI, organizations and individuals in India will need to stay abreast of advances in the field and take steps to solve these issues. AI will be a key factor in determining how accounting and financial management are developed in India.

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