

**Editor's Note**

Our policy is to review all books which are either sent to us or in our opinion are useful to our readers.

**Book Review**

## **KPMG Global AI and Finance Report 2024 : Transforming New Era with AI empowered Finance Functions<sup>1</sup>**

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ARTIFICIAL INTELLIGENCE IS the buzzword. The reelection of Trump and the introduction of the Stargate project propels it further. The word means a lot to the world today. A defining term is transformation it propels through the processes and systems through the analytical power of the data and human behavior responses. The digital identities today place importance in the manner in which we do business. Information, knowledge and responses are surrounded by the developments of the real time analysis and futuristic projections that play a crucial role in determining the next action. Strategy is key to any business for growth and development. The Finance function holds the business past, present and future together with the thread of sustainability and profitability. Artificial Intelligence has through the several layers provided key insights into patterns, developments and possible iterations in scenario calculations that continuously evaluate, reevaluate and decipher the codes of human network, data, minutes details, accuracy and better predictive and decision making abilities. KPMG in its Global AI and Finance Report 2024 has surveyed 1,800 companies spread across 10 major economies and found that almost three quarters are using Artificial intelligence to some degree of financial reporting. It is expected that 100% shall do so in the next three years. They also found that companies are moving to the "hot ticket" generative AI. They found that emerging markets are following the trend, though they are behind but the gap is not huge. Efficient Processes, more granular data analysis, accuracy and better predictive power are found to be the reasons for the choice of AI being used in many functions specially finance.

The 10 major markets covered by KPMG report are North America, Europe, ASPAC countries where the companies are headquartered to determine the progress of in using AI for financial reporting. It encompasses many core functions like accounting, risk tax operations and treasury management. KPMG to broaden the understanding included 23 industrialised and emerging economies in North and Latin America, Euorpe, Asia Pacific, the Middle East and Africa and increased their sample size to

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1 Rowlands, David; *KPMG Global AI and Finance Report*; November 2024, KPMG International, United Kingdom, pp. 24, Price NIL

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2,900. They used the AI Maturity Index to determine where does the organization measure upto as any one of the three categories namely leaders, implementer and beginners. It is found that 24% measured as leaders, 58% as implementers and 18% beginners. They further broke down the matrix to the assessment of maturity by revenue, maturity by industry and maturity by region. They found that AI is generating benefits of increased efficient and accuracy, reduced human error, faster and better data base decision making, lower costs and improved regulatory compliance.

The spread of AI is found on all finance functions including financial planning, accounting, risk management, treasury management, tax operation and reporting. The report quotes Sebastian Stockle that Embracing AI is not about leveraging advanced technology; it about cultivating a foundation of trust. By prioritizing transparency and ethical practice, organization can harness the power of AI to enhance decision making, optimize financial strategies and foster a culture of accountability, ultimately driving sustainable growth and innovation. The report indicates that progress in AI has been delayed for many reasons, including complexity of tax regulation, lack of up to date data, onerous legacy systems and reliance of human judgement for many tax related decisions. Finance is investing in a mix of AI technologies from chatbots and natural language processing to anomaly detection and computer vision. ROI is meeting more than the expectations as per the survey.

Leaders are embracing the innovativeness in AI and also using the Gen AI for dynamic reporting and narrative generation, forecasting models and scenario generation, document management, compliance monitoring and reporting and automated tax preparation. The top AI use cases piloted or implemented in finance include research and data analysis; fraud detection and prevention; predictive analysis and planning; generative AI for composing documents and other content; risk management and cyber security; administrative tasks such as automating repetitive processes, performance evaluation or training, custom virtual assistants, data entry and data processing, monitoring and complying with changing regulations and tax laws and tracking expenses and deduction.

It is necessary as per the report to build AI skills and to take it to next level. Leaders need to prioritise AI governance and assurance. They should see greater benefits with AI and ROI from AI use. The biggest barriers to the use of AI are data security and vulnerabilities; limited AI skills and knowledge; difficulty gathering consistent data; high implementation cost; lack of transparency; ensuing compliance; potential for bias and monitoring; uncertain ROI; difficulty in integrating existing tool and staff resistance. The biggest blind spot is with respect to the transparency of AI initiatives and its sustainability.

The wide use of AI has accelerated in US, Japan, UK, Canada, Australia, Spain and the progress has slowed down in Netherlands, Germany, France and Ireland. They also envisage the auditor to get in board to use AI.

The seven key recommendations made in the report are 1) To give priority to the use of AI in finance 2) Have a clear implementation plan for deploying Gen AI in Finance 3) CFOs should make sure that their teams think beyond accounting and financial reporting when applying AI 4) Staying ahead in AI is not just about technology, it is about people 5) Tackling barriers 6) Stay aware of potential blind spots that will require management action 7) expect and demand support on AI from auditors.

Overall the initiative appears to be providing insight into AI and Finance globally from 1800 companies to 2,900 companies in 10 major countries. Despite the optimism surrounding AI, it is essential to understand that Human beings are centre or core of AI. They are responsible to make AI responsive to the needs and challenges of the present time without being slave to the outcomes that make without human touch provide solution that does not take into account human interface. With technology, most productivity belongs to the human ingenuity and human resources and not to machine. Productivity or ROI are defined by technology but human continue to guide their processes and systems and train them. The crucial element it is role of defining the process, system and responsiveness is not looked into by the report. The report also fails to cover the ethical issues of use of AI in the financing used or determined as good or bad or ugly. However, the report is very useful in all walks of life . A Must read for all Finance personal and post graduate students in financial economics.

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