



# Advance Journal of Econometrics and Finance

## Vol-4, Issue-2, 2026

### Advance Journal of Econometrics and Finance

Online ISSN

2959-8990

Print ISSN

2959-8982

<https://ajeaf.com/index.php/Journal/About>

Name of Publisher: SCHOLAR CRAFT EDUCATION & RESEARCH HUB

Review Type: Double Blind Peer Review

Journal Frequency: Quarterly Research Journal (4- Issue)



#### Artificial Intelligence Impact on Financial Reporting

<sup>1</sup>Muhammad Suffyan, <sup>2</sup>Dr. Tanvir Sajid, <sup>3</sup>Amna Naeem, <sup>4</sup>Dr. Sajida Hafeez

	Abstract
<p><b>Muhammad Suffyan</b> <a href="mailto:msuffyan995@gmail.com">msuffyan995@gmail.com</a></p> <p><b>Dr. Tanvir Sajid</b> Asst. Professor, Faisalabad Business School, National Textile University. ORCID: <a href="https://orcid.org/0009-0002-6097-2082">0009-0002-6097-2082</a> <a href="mailto:Tanveer.bajwa@ntu.edu.pk">Tanveer.bajwa@ntu.edu.pk</a></p> <p><b>Amna Naeem</b> <a href="mailto:mnamnamn004@gmail.com">mnamnamn004@gmail.com</a></p> <p><b>Dr. Sajida Hafeez</b> Asst. Professor, Faisalabad Business School, National Textile University. <a href="mailto:drsajida@ntu.edu.pk">drsajida@ntu.edu.pk</a></p>	<p>The speed of change in digital technology is now increasingly embedded throughout day-to-day accounting and financial reporting processes, with AI and automation touted as the next enablers of organizational efficiency and quality of reporting. With the growing integration of intelligent technologies for financial information processing adopted by enterprises, understanding their effects on the precision and dependability of financial reporting is becoming increasingly important. Timely and reliable financial reports are vital to good decision making, regulatory oversight, investor confidence, and corporate transparency. Nevertheless, adoption of AI and automation brings with it paperwork risks in many forms that could impact reporting. [[Therefore, this paper explores the effects (AI) and on financial reporting accuracy with technological risks as a moderator. The study is based on three theories the Technology Acceptance Model (TAM), Resource-Based View (RBV), and Agency Theory, which explain collectively how technological assets affect the organizational performance and quality of reporting. A quantitative methodology was used to examine the hypothesized relationships empirically. Primary data were collected by means of a structured questionnaire from accounting professionals, auditors, financial managers and finance officers employed in different sectors of Pakistan such as banking, manufacturing, service organizations, and audit firms. A total of 200 valid responses were received and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with the help of Smart PLS software. The study results show that AI positively affect the accuracy of the financial reporting on a great scale. The quality of financial reporting is improved through AI-based systems such as enhancing data processing ability, identifying abnormal data, decreasing human errors, and facilitating real-time decision-making. The findings also show that financial reporting accuracy was positively and significantly influenced by automation as automation allows for a simplification in accounting procedures, improved operational efficiency, diminished interference in manual work and uniformity in managing financial data. These results imply that companies that implement AI and automation have the potential to generate more accurate, reliable and timely financial reporting. In addition, the results show that the technological risks significantly moderate the impacts of AI and automation on financial reporting accuracy. Threats and risks, e.g., related to cybersecurity, low quality data, algorithm bias, system failures, lack of transparency, and overreliance on automated systems can diminish the benefits of AI and automation for reporting quality. This result also underscores the need for strong governance, cybersecurity, internal controls, and data management practices to fully capitalize on the opportunities presented by intelligent technologies and minimize any associated risks. The paper adds to the literature by investigating the implication of AI and robotics on financial reporting quality in the environment of an emerging economy. It further builds upon existing literature by investigating the mediating effect of technological risks, adding complexity capture to the research model with respect to the extent IE influence reporting outcomes. The results are timely and important for organizations, policymakers, accounting practitioners, and regulators that want to encourage digital transformation while ensuring the trustworthiness of financial reporting systems. In summary, Artificial Intelligence and Automation</p>



# Advance Journal of Econometrics and Finance

## Vol-4, Issue-2, 2026

	are disruptive technologies that have the potential to revolutionize financial reporting accuracy and firm performance. Nevertheless, effective risk management and ongoing monitoring are prerequisites for realizing the promise of technological innovation without being detracted by the unexpected challenges. Those that successfully weave AI and automation strategically with robust governance stand to benefit from even greater financial transparency, operational efficiency, and stakeholder confidence.
<b>Keywords:</b>	Artificial Intelligence, Automation, Financial Reporting Accuracy, Technological Risks, Digital Transformation, Accounting Information Systems, Financial Reporting Quality, Smart PLS, Emerging Technologies, Pakistan

### Chapter 1

#### Introduction

Financial reporting plays a critical part in ensuring that the reporting entity can be held accountable and transparent and that decision makers have the information they need to make decisions within entities. Traditionally, the systems for financial reporting have relied on manual data entry, human judgment, and rule-based accounting systems. However, these conventional approaches are getting increasingly exposed to errors, inefficiencies and opportunities for manipulations due to the growing complexity of financial transactions and regulatory requirements. As Artificial Intelligence (AI) and automation technologies are rapidly developing, companies are shifting to digitized and intelligent financial systems. Although these technologies have the potential to enhance efficiency, decrease human error, and provide better analytic opportunities, their effects on the accuracy of financial reporting have not been studied thoroughly, especially in the developing economies like Pakistan.

In addition, organizations have difficulties when incorporating AI tools into the current accounting systems, and there is a lack of knowledge about how automation affects professional judgment, internal controls, and reliability of audits. This leaves the research gap of considering whether AI and automation increase or jeopardize the reliability and accuracy of financial reporting. Thus, this paper will examine how AI and automation can influence the accuracy of financial reporting by defining the benefits and possible risks related to their use. The present research has a number of novel features that make it stand out of the previous ones: First, it incorporates AI and automation into the framework of financial reporting accuracy, and does not regard them as the technological and operational means. The research fills the gap between accounting practices and new digital technologies. Second, the study uses a contextual approach to the study, with emphasis on developing economies especially Pakistan where the introduction of AI in accounting is in its infancy. This gives localized knowledge that is lacking in world literature that is dominated by developed countries. Third, the research examines two aspects of AI effects on Positive outcomes (e.g., error mitigation, real-time processing, better data validation). Possible threats (e.g., excessive automation, non-transparency of algorithms, cybersecurity threats). Fourth, it takes into consideration not only behavioral but also organizational views, in which AI impact the role of accountants, professional judgment, and internal control systems, instead of focusing the analysis on the efficiency of technicality. Lastly, the research can also utilize the empirical research (e.g., surveys, regression analysis, or structural equation modeling) to quantitatively determine the connection between AI adoption and the financial reporting accuracy and add the methodological rigor to the research area.

#### Research background

Financial reporting in the modern business world has been instrumental in enhancing transparency, accountability, and sound decision-making by the intended stakeholders. Proper financial reports will allow investors, regulators and management to determine the financial performance and health of the organizations. Financial reporting systems have traditionally been based on manual operations, automated accounting systems and human judgment, which are prone to error, inefficiency and manipulation. As the era of sophisticated digital technologies has begun, especially the Artificial Intelligence (AI) and automation, the accounting and financial reporting environment is changing drastically. New functionality in the processing of large amounts of financial data quickly and precisely has been brought by AI technologies, such as machine learning, natural language processing, and robotic process automation (RPA). Repetitive accounting processes of entering data, reconciliation, and report preparation are also being automated to help businesses streamline their activities. Thus, the adoption of AI and automation in FR will lead to a rise in accuracy, because it will eliminate human errors, improve data validation, and allow for real-time reporting. Nevertheless, along with these possible benefits, there is also a set of new challenges of such technology's usage. Such problems as the bias of algorithms, errors in the system, transparency, cybersecurity threats, and excessive dependence on automated systems can destabilize the financial reports. The use of



# Advance Journal of Econometrics and Finance

## Vol-4, Issue-2, 2026

AI in FR is still in its infancy in developing countries such as Pakistan. Organizational challenges include technological infrastructure, unskilled professionals, and unwillingness to change. Moreover, not much empirical research has been led to investigate the effect of AI and automation on the precision of FR on this context. Thus, the paper will seek to determine how AI and automation affect the accuracy of FR both in theory and in practice as it applies to contemporary accounting procedures. Financial reporting is an inseparable part of contemporary corporate governance as it is one of the sources of information that can be valued by the investors, regulators, and other stakeholders to analyze the performance and the position of the organization, in terms of its finance. Financial reporting accuracy is especially crucial, as it directly impacts decision-making, investment confidence, and compliance with regulations (Vlachos, 2023).

Conventionally, financial reporting systems have been based on manual operations, rule-based accounting systems, and subjective decision making. Although these systems have served well in the past, they are currently being confronted by the increasing complexity of business transactions, the vast amount of financial information and the high standard of regulatory requirements. All these contribute greatly to the possibility of human mistakes, delays, and financial reporting inconsistencies. Using the Artificial Intelligence (AI) and automation technologies, which are becoming popular in the previous few years, has altered the accounting and financial reporting landscape. Other automation systems like Robotic Process Automation (RPA) can also be used to improve operational efficiency since it involves processes that can be performed by software and are ruled by a set of rules. The empirical data indicate that AI enhances the financial reporting process in multiple aspects: it makes it more efficient, less error-prone, and more capable of detecting fraud (Alruwaili and Mgamal, 2025). In the same vein, recent research shows that AI is capable of removing many kinds of accounting errors, such as tax miscalculations, reporting inconsistencies, and errors related to manipulation (Al Najjar et al., 2024). Furthermore, surveys conducted across the world indicate that about 72 percent of all organizations are currently using or testing AI in their FR, and this number is set to almost spread in the near future (KPMG, 2024). Although these developments have been made, the implementation of AI in FR is not devoid of difficulties. Although AI is more accurate, there are concerns over the bias in the algorithms, data quality, cybersecurity, and the transparency of decision-making processes. It has also been noted that despite its efficiency and quality of reporting, organizations are prone to problems with governance, trust, and user adoption of AI (Darmawati et al., 2025). Moreover, there are indications that AI systems do not necessarily assure the utmost accuracy. In other instances, AI tools do not completely remove mathematical or contextual errors, especially when there is a limited human supervision (Al Najjar et al., 2024).

The use of AI in FR is in the initial phases in developing economies like Pakistan. Organizations have issues that touch on technological infrastructure, inadequately trained professionals and resistance to change. Also, there is a deficiency in empirical study in this area, which poses a knowledge gap about the impact of AI and automation on FR in developing markets. Hence, this research will censoriously aspect at the role of AI and automation on the accuracy of FR, their positive and negative effects in a modern organizational environment.

### **Problem Statement**

Accuracy in FR is essential to sustain the trust of the stakeholders and also to guarantee the compliance with the regulations. Nevertheless, conventional financial reporting mechanisms are vulnerable to human mistakes, inefficiencies, and variations, especially in intricate and data-rich settings. The effectiveness of the AI and automation technologies in enhancing the accuracy of FR is unclear, despite the introduction of these technologies to solve these problems. Although such technologies can minimize the number of manual errors and optimize the effectiveness of the processing process, they also can provoke new risks, such as the failure of the system, integrity errors in data, and the insufficient transparency of algorithms in decision-making. In the case of Pakistan, where digital transformation in accounting remains an uncharted territory, the empirical data regarding whether AI and automation can greatly enhance the accuracy of financial reporting or introduce new challenges remains unavailable. This knowledge gap will restrict the capacity of organizations to make informed decisions when it comes to adoption of such technologies. Therefore, the main issue to be discussed within the framework of this paper is determining whether the introduction of AI and automation can advance the quality of FR or introduce new threats that can destroy the quality of reporting. Effective corporate governance and financial stability depend on financial reporting accuracy. Nevertheless, the conventional accounting systems can no longer effectively meet the demands of the current business environment, which leads to numerous mistakes, delays, and inconsistencies. These problems are also worsened by the increasing amount of financial data, and the necessity of real-time reports. A potential solution to this problem is introduced with the introduction of the AI and automation technologies that can improve the capabilities of data processing and minimize the human factor. Although these technologies are largely viewed as methods of enhancing accuracy and efficiency, their real effects on the accuracy of financial reporting are still unclear and relative. On the one hand, AI will help to significantly decrease the number of human errors, data validation, and fraud detection. Conversely, it also brings about novel risks like algorithmic bias, transparency, vulnerability of the system, and reliance on data quality (Raimo et al., 2023; Issa et al., 2022).



# Advance Journal of Econometrics and Finance

## Vol-4, Issue-2, 2026

In emergent markets such as Pakistan, wherever the process of digital transformation is not fully developed yet, organizations might not have the funds and skills required to utilize AI technologies to the fullest. This raises doubts on whether the adoption of AI results in a better reporting accuracy or more risks. The other burning issue is the effects AI has on professional judgment and internal controls. Automation also poses the risk of accountants becoming too reliant on outputs created by AI, which can reduce oversight and increase the potential for errors going unnoticed. Also, whether the existing regulatory frameworks would be adequate to tackle the exclusive challenges presented by AI-based financial system is questionable. While the adoption of AI in the accounting occupation is rising, there is a lack of empirical research that has investigated its effect on financial reporting quality particularly in a developing country. This lack of understanding in the literature suggests that there is a need to further investigate the benefits and risks of AI/automation in FR. Based on this, the paper seeks to address the fundamental enquiry as to whether AI and automation enhance the reliability of financial reporting or introduce additional uncertainties that may undermine the reliability of financial statements.

### Research Objectives

The purpose of this research is to examine the impact of AI and automation on financial reporting reliability.

The specific objectives are:

1. To examine the impact of AI on enhancing financial reporting processes.
2. To assess the influence of automation on the reliability of financial reports.
3. To discover the associated risks for AI and automation in financial reporting.
4. To explore the association between AI usage and the quality of financial reporting.
5. To offer suggestions for the effective integration of AI in accounting practices.

### Research Questions

The aims of this study are to address the following research questions:

1. In what ways does AI affect the financial reporting process?
2. To what degree is financial reporting accuracy affected by automation?
3. Can using AI-based methods lead to a significant increase in the accuracy of financial reporting?
4. What are the threats related to AI and automation adoption in financial reporting?
5. How can companies capitalize on the potential of AI in reporting accuracy?

### Significance of the Study

The value of the research is important for academic and practical. From an academic standpoint, the study contributes to the growing literature on digital transformation in accounting by introducing AI and automation into financial reporting systems. It addresses a very significant void in the research since it provides empirical insights about the influence of AI on reporting accuracy, particularly so in developing economies.

In rather practical terms the study may serve as interesting reading for those companies that want to apply the AI techniques in their financial reporting processes. It highlights the possible positive effects of the usage of AI to rise its accuracy and efficiency; however, it highlights risks that should be considered. For accountants, the study would provide a hint of how their roles are evolving in an AI-powered world – with new skills and competencies required. To policymakers and regulation bodies, the results provide an insight on how to found a structure that would allow the ethical and effective use of AI in financial reporting.

### Scope of the Study

The current study is intended to investigate how Artificial Intelligence and automation affect the accuracy of financial reporting in organizations in Pakistan. It mainly focuses on accounting professionals, auditors and financial managers who are directly engaged with financial reporting procedures. The paper takes into account different AI technologies, such as machine learning, robotic process automation, and data analytics tools and assesses their impact on the accuracy of reporting. It also compares the advantages as well as the disadvantages of these technologies. The research however is restricted to the selected sectors, and not all industries are covered. Also, it examines the organizational level analysis, as opposed to macroeconomic implications.



# Advance Journal of Econometrics and Finance

## Vol-4, Issue-2, 2026

### Chapter 2

#### Literature Review

Digital technologies have gained rapid development and have had a tremendous impact on the sphere of accounting and financial reporting. Artificial Intelligence (AI) and automation are two of the technologies that have become central sources of innovation, changing the conventional accounting practices and making organizations smarter. The chapter is a complete literature review on current research about AI, automation, and financial reporting accuracy. It takes a critical look at theoretical underpinnings, empirical findings, research gaps, especially in the developing economies. The chapter is designed in a way that it explores the main constructs of the research such as AI, automation and financial reporting accuracy. It also talks about applicable theories, empirical research, and formulation of hypotheses, which resulted in a suggested conceptual framework.

#### Research Gap

Regardless of the fact that the literature on AI and automation in accounting is growing, there are a number of critical gaps that are worth pursuing further studies. Such contexts are quite different compared with those of developing nations like Pakistan where organizations tend to be limited by factors like the lack of technological tools, the unavailability of skilled workforce, and aversion to digital transformation. Consequently, the results of developed markets might not be directly relevant to the emerging markets, which presents an evident gap in geographical and contextual research (Hassan et al., 2023).

Second, the majority of the previous studies are inclined to present the advantages of AI and automation, including the increased efficiency, the minimization of human mistakes, and the enhanced decision-making skills, and the risk and difficulties associated with it are relatively underrepresented. Algorithms bias; quality of data, cybersecurity, and transparency of AI systems are the issues that were not adequately investigated as they pertain to financial reporting. This gives an imbalance in the literature, in which the positive implications are well-documented, but the negative implications have not been thoroughly explored. Third, the literature tends to consider AI and automation as two independent variables, instead of focusing on their joint or synergized impact on financial reporting accuracy. In reality, both AI and automation are usually introduced to organizations as a part of a larger digital transformation program. Therefore, the separate study of the aforementioned technologies may not be sufficient to capture the full extent of the effects of these technologies on the ground, leading to a lack of holistic research in this area. In addition, there are few empirical studies on the moderating role of risk factors in the association between AI adoption and financial reporting accuracy. While some research notarizes that there are risks, they are rarely built into systematic frameworks analysis to evaluate how those risks affect the efficiency of AI and automation or compromise it. This represents a significant theoretical and empirical void that the present research will attempt to address. These factors would be important for evaluating how effectively artificial intelligence based financial reporting systems are from a long-term perspective. automation on the correctness of financial reporting and introducing risk as the moderating variable in a unified conceptual framework.

#### Artificial Intelligence (AI)

AI is the application of highly automated computing systems that can handle tasks previously done by human intelligence, including learning, reasoning and decision-making. Fraud detection, predictive analytics, and financial reporting are some of the tasks that are increasingly being done by AI in the field of accounting. Recent reports indicate that AI helps in financial reporting by increasing the capability to process data and detect anomalies in financial data (Issa et al., 2022). Machine learning algorithms are able to analyze huge amounts of data and identify patterns that could be indicative of errors or fraudulent activities. In addition, AI-based tools can facilitate real-time reporting, which enables organizations to produce precise financial statements in a short period of time. Kokina and Blanchette (2023) note that AI minimizes the risk of a human error and improves the accuracy of financial data. Nevertheless, there are also disadvantages associated with the implementation of AI, such as the high cost of implementation, unavailability of qualified specialists, and data security and privacy concerns (Almeida et al., 2022).

#### Automation

Financial reporting has been transformed with automation especially Robot Process Automation (RPA), which has automated repetitive and rule-based processes. RPA systems are able to do data entry, reconciliation, and report generation with minimum human effort. Empirical data indicate that automation can greatly enhance efficiency and minimize the error in financial reporting procedures (Sutton et al., 2021). Automation will reduce the chances of human faults and advance the truth of the data by removing manual data entry. Additionally, automation allows companies to handle large amounts of financial data in a short period; thus, enhancing reporting timeliness. Automation is also limited though it has its advantages. It might not be applicable to more complicated activities that need professional judgment and excess use of automation can result in less human control (Moll and Yigitbasioglu, 2023).



# Advance Journal of Econometrics and Finance

## Vol-4, Issue-2, 2026

### Financial Reporting Accuracy

FR accuracy is a concept that denotes the degree to which financial statements are not material misstatements and give a true and fair picture of the financial position of an organization. Proper financial reporting plays a vigorous role in keeping investors confident and complying with the regulations. It has been found that mistakes in financial reporting may be caused by multiple factors, such as human error, system constraints, and deliberate manipulation (Appelbaum et al., 2022). These errors can be minimized drastically by adopting AI and automation to enhance data validation and processing. Research indicates that companies with AI-based systems have a higher accuracy in reporting and fewer cases of financial misstatements (Issa et al., 2022). AI and Financial Reporting Accuracy

Financial reporting accuracy can be greatly improved with the help of AI technologies that automate the processing of data, increase the quality of analytic functions, and minimize the chances of human mistakes. Contrary to the traditional accounting system where manual inputs and rule-based processing play one of the major roles, AI systems operate based on sophisticated algorithms, including machine learning and deep learning to process large amounts of financial data faster, more consistently, and more accurately (Issa et al., 2022). Automated data validation and anomaly detection is one of the main ways AI can enhance the accuracy of financial reporting. Machine learning algorithms will be capable of detecting anomalies, inconsistencies, and irregularities in financial transactions that can be used to signal an error or fraud. These systems can constantly learn based on past data and with time become more accurate in their predictions allowing organizations to anticipate and rectify any discrepancies prior to the completion of financial reports (Kokina and Blanchette, 2023). This is especially useful in complicated monetary contexts in which the errors can be detected manually and thus it is time consuming and will likely be overlooked. Another contribution of AI is related to real-time reporting of the financial position, which improves the availability and quality of financial data. The conventional reporting practices usually feature delays as a result of manual compilation and reconciliation of data. Conversely, AI-powered systems are capable of processing and updating financial data in real time, so that the financial statements are up-to-date with the latest information. This will decrease the chances of using outdated or incomplete data in decision-making and enhance the overall reliability of reporting (Appelbaum et al., 2022). The other major benefit of AI is that it can standardize financial reporting procedures, which can increase inconsistencies in financial reporting due to human bias. Through the application of standard algorithms and rules to datasets, AI systems make financial information to be treated in the same way, reducing the subjectivity and variability of information. Such standardization improves the comparability and reliability of the FS and this is crucial to the stakeholders like investors as well as regulators. Moreover, AI improves fraud detection and risk evaluation of financial reporting. High-level analytics can uncover implicit patterns and correlations that could be signs of fraud, e.g. unconventional patterns of transactions or nonconformity to predicted financial behavior. Research indicates that AI-powered fraud detection tools can better detect sophisticated fraud schemes as compared to traditional methods, thus lowering the risk of financial misstatement (Issa et al., 2022). Although these benefits are present, the effects of AI on the correctness of financial reporting are not completely without issues. The reliance of AI systems on data quality is one of the primary issues. When the input data is compromised, missing, or biased, the results of AI systems can be problematic too, and this will result in incorrect financial reporting. This underscores the need to have strong data governance structures to safeguard data integrity (Almeida et al., 2022). Moreover, financial reporting accuracy is challenged due to the transparency of AI algorithms. Most AI models are black boxes, and users may not have an easy time determining how decisions are made. Such inexplicability may undermine the self-assurance in AI-based FS and increase the complexity of the auditing process as it may be difficult for auditors to ascertain the correctness of outputs generated based on AI (Raimo et al., 2023).

While AI is able to automate virtually all tasks within financial reporting, it cannot completely replace human judgment, particularly in areas where the interpretation is unclear or complex. Excessive reliance on AI can breed complacency among accounting staff, which increases the risk of undetected errors. In summary, AI will have an impact on the quality of FR, in particular the positive part of it side, through improving data handling, identifying irregularities and enabling real-time reporting. To guarantee the reliability and integrity of financial reporting, organizations should strike the right steadiness between the advantages of AI and its risks.

### Automation and Financial Reporting Accuracy

Automation, especially Robotic Process Automation (RPA), is important in enhancing the accuracy of the financial reporting by automating repetitive accounting tasks and reducing human errors. In contrast to AI that aims at making intelligent decisions and finding patterns, automation is mainly related to performing repetitive and rule-based tasks with maximum accuracy and consistency. When it comes to financial reporting, automation can improve the efficiency and the accuracy thereof to a much higher extent since the risk of human errors in processing data manually is minimized (Sutton et al., 2021). Among the most important effects that automation has brought to the accuracy of FR one can highlight the absence of errors in the entry of data by hand. The conventional accounting systems also tend to be repetitive in terms of recording transactions, reconcile accounts and financial statements. These are very prone to human errors such as typing errors, mis categorizations and omissions. These tasks could be done by automation systems with a



# Advance Journal of Econometrics and Finance

## Vol-4, Issue-2, 2026

high level of accuracy to guarantee that the financial data are verified and handled properly (Kokina and Davenport, 2021). Standardization and consistency of processes also enhance automation, which is crucial in ensuring accuracy in financial reporting. Automated systems will help in the consistency in the processing of financial data because they follow predefined rules and procedures and will be used in addressing the financial data of various transactions and reporting periods. This minimizes variation and increases the comparability of financial statement. In addition, one can create automated processes that implement internal controls, e.g., approval processes and validations, which will decrease the chance of mistakes and fraud. One more important advantage of automation is its reporting efficiency and timeliness. Those financial transactions can then be batched in as little as a handful of seconds, allowing organizations to run financial reports more quickly, especially when automated systems are leveraged to sift through large volumes of financial data. This is particularly important in meeting regulatory deadlines and ensuring the timely flow of information to stakeholders. Studies indicate that automation can reduce the financial reporting cycle time by as much as 50%, thereby allowing organizations to focus on analysis and decision-making rather than data processing (PwC, 2024). Also, automation improves auditability and traceability of financial details. Automated processes store all transactions and information, giving you an audit trail that can be used to check the accuracy and integrity of your financial data. That rises the transparency and makes it easier to do audits because auditors can easily track and verify the financial data.

However, besides these advantages, there are also some limitations of automation that have an effect on the accuracy of the financial reporting. One major problem is that automation focuses more on being applied to structured, rule-based tasks rather than the more complex, judgment-based work in accounting. The other risk is that systemic errors can be propagated. A system that has been incorrectly implemented or programmed will produce incorrect results on every transaction, until corrected. Automated errors can be generated, whereas human errors can be random and have significant financial impact. This reinforces requirements for systems to be properly designed, tested and monitored. In fact, too much automation can result in less human scrutiny and critical evaluation of financial information. They may not be able to detect an error or a peculiarity in an automated system, and these systems can in turn pretty much make accounting professionals dependent on them. This can weaken internal controls, and increase the risk that errors will go undetected. Infrastructure, cost, and technical know-how are yet other challenges relating to the adoption of automation in the developing world such as Pakistan. There are many companies that may not have the resources and expertise to implement and maintain an automation system effectively and thus are limited in how much they can automate, or how they can benefit from automation overall. In sum, revenues are not 10s!1 in increasing automation. But like any other tool it is only as good as the way it is used, the design of the system, and the amount of human oversight it receives. For organizations to achieve good, reliable financial reporting, they must take a balanced approach that involves automation and professional judgments.

### **Risks of AI and Automation**

Despite the benefits of AI and Automation in improving efficiencies and accuracy of FR, several risks related to their application might lead to diminishment of reliability and trust of financial information. Algorithmic bias is the biggest concern and has been compared to history training, in that we train AI systems with biased or incorrect information. As such these biases can be reflected in or even amplified by the outputs of such systems leading to skewed financial analysis and potentially misleading reporting results. It is particularly an issue in financial decisions because small errors here may have substantive impact on the stakeholders (Raimo et al., 2023) and so on). The other major risk concerns data quality and integrity because AI systems trust heavily on the input data being accurate, complete, and consistent. If the inputs to the AI models are wrong, out of date, or have gaps, the outputs will be off and that will impact the integrity of financial reporting. This garbage in, garbage out scenario highlights the need for good data governance. Furthermore, the data processing infrastructure in a lot of organizations especially those in developing countries may be not well enough to support the higher-level AI applications resulting in further chances of inaccurate reporting (Almeida et al., 2022). Cybersecurity threats are also a barrier to AI and automation adoption. As financial reporting systems become increasingly digitized and interconnected, they are vulnerable to cyberattacks, data breaches, and other forms of unauthorized access. Exploiting system vulnerabilities, threat actors can manipulate financial data, disrupt the reporting process or even steal sensitive data. Because financial information is critical, a breach can cause significant damage to an organization's reputation, its regulatory compliance, and the confidence of its stakeholders. In addition, the absence of transparency and explainability of AI systems or so-called black box problem is a major risk to financial reporting. The vast majority of AI models are opaque to users, auditors, or regulators, particularly those that are deep learning-based. This explainability makes it difficult to understand how certain financial outcomes are achieved, thereby reducing trust in AI-based reporting systems. It also complicates auditing, as auditors may have difficulty verifying the accurateness and validity of AI-generated output (Raimo et al., 2023). The risk of overreliance on automation and diminishing human oversight and professional skepticism should be added to the list of concerns. While automation could improve productivity and consistency, an overreliance on automation systems may cause complacency in accountants. This may increase the risk that errors, or anomalies, may

go undetected, particularly if that system is flawed, or is improperly implemented. Still, the interpretation of financial data and compliance with accounting standards necessitates human judgment, and their diminution can weaken internal controls. Furthermore, the initial costs of AI and automation are high and require organizational matters like specialization, system integration, training employees. Most organizations especially concerning developing nations like Pakistan may not have the required resources, expertise to apply these technologies effectively. Resistance to change among employees and absence of expertise in the technology may also be impediments to a successful application. Finally, regulatory and ethical related issues are emerging as risk area. “The current accounting standards and regulatory regimes may lack the teeth to deal with the complexities introduced by AI-driven systems.” Issues like accountability of decision made by AI, data security and ethical use of algorithms should be considered. In adopting AI for use in financial reporting, they may expose organizations to legal and compliance risks without clear and well governance and guidelines. So, in summary for all the potential financial reporting improvements from AI and automation, the risk side of those technologies must be treated appropriately. Implementation will necessitate a good level of data governance, a well-established level of cybersecurity, open algorithms, and regular human control to ensure the advantages of these technologies are achieved without jeopardizing the accuracy of financial reporting.

### Operational Definitions

Artificial Intelligence is a higher level of computational systems that can execute tasks that cannot be done by robots, including learning, reasoning and decision-making. Automation is a term used to indicate the application of technology in carrying out routine and rule-driven work with minimum human interactions. Financial reporting accuracy is used to refer to the degree to which the financial statements (FS) are accurate with no material misstatements, errors and biases and hence give a fair picture of the financial position and performance of an organization.

### Conceptual Framework/Theoretical Framework

The theoretical basis of this study is set to investigate the influence of AI, automation, and FR accuracy with the mediating effect of risks related to the matter. Since AI and Automation are two important technologies that drive the procedures of financial reporting, they are treated as independent variables in this model. The independent variable is Financial Reporting Accuracy (FRA), which includes the quality, reliability, and accuracy of financial statements. The model implies that AI and automation have the potential to enhance FR accuracy by directly processing data, reducing human errors, and increasing efficiency. Such risks are the quality of data, bias in the algorithms, cybersecurity risks, and transparency. The moderating variable makes the difference in the adoption of technology on the financial reporting outcomes more complete, considering the fact that the positive impact of AI and automation might not be completely seen in case of substantial risks.

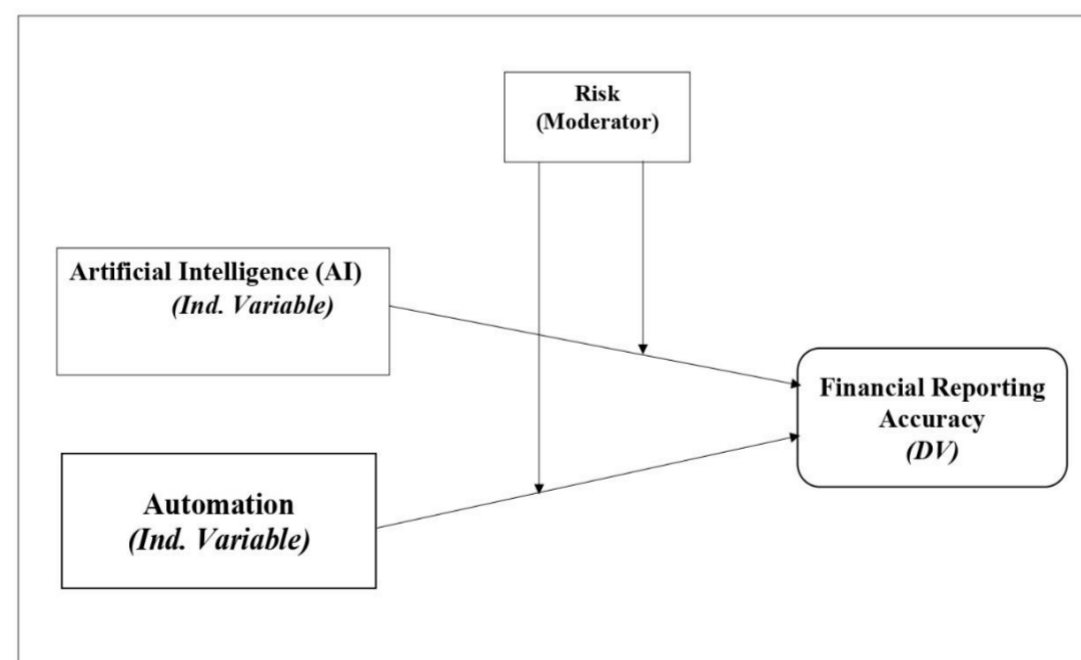


Figure 2.1: Conceptual framework

### Technology Acceptance Model

Technology Acceptance Model (TAM), which was future by Davis is a widely applied concept used in explaining the adoption of new technologies by users. TAM suggests that the adoption of technology is determined by two major factors namely, perceived usefulness and professed ease of use. When considering AI and automation in financial



# Advance Journal of Econometrics and Finance

## Vol-4, Issue-2, 2026

reporting, accountants are more inclined to use these technologies in case they recognize them as helpful in enhancing accuracy and efficiency (Venkatesh & Davis, 2021). According to recent works, the perceived usefulness of AI systems is a crucial factor in their adoption in accounting practices, especially in cases where the systems prove to be more accurate in their report and also have a lower workload (Al-Okaily et al., 2023).

### **Resource-based view (RBV)**

Resource-Based View (RBV) is the view that organizations achieve good benefit by having valuable resources that are rare, unique and non-substitutable. It is likely to regard AI and automation technologies as strategic incomes that can help organizations become more capable (such as better financial reporting). Studies suggest that, with the use of AI-based systems, companies are able to realize increased efficiency, increased data accuracy, and, in turn, better decision-making results in contrast with traditional approaches (Moll and Yigitbasioglu, 2023).

### **Agency Theory**

It clarifies the relationship between principals (shareholders) and agents (management), stressing the need for accurate and reliable FR to reduce information asymmetry. AI and automation can play a vital role in minimizing agency problems by improving transparency and reducing opportunities for manipulation (Raimo et al., 2023).

### **Hypotheses Development**

H1: AI positively impacts financial reporting accuracy.

H2: Automation positively impacts financial reporting accuracy.

H3: AI reduces financial reporting errors.

H4: Automation improves reporting efficiency and accuracy.

H5: Risks negatively moderate the relationship between AI and reporting accuracy.

## **Chapter 3**

### **Materials and Methods**

#### **Introduction**

In this chapter, the authors provide an in-depth description of the research methodology used to study the effect of AI and automation on FR accuracy, and the moderating effect of the risk involved. This chapter is aimed at giving a clear systematic description of the manner in which the research has been designed and conducted to ascertain the validity, reliability and integrity of the findings. The methodological options are well justified by the research goals and hypotheses created in previous chapters. The chapter includes the research philosophy, approach, design, population, sampling procedures, data collection techniques, measurement of variables, development of the instruments, data analysis methods, and ethical reflections. The study clearly explains each of these elements in detail, which is why it provides transparency and will enable future researchers to apply the same methodology in their studies in a similar setting.

#### **Research Philosophy**

The current research is anchored on the positivist philosophy of research whose foundation is based on the assumption that truth is objective, observable and measurable through empirical research. The positivist paradigm is especially suitable in the framework of this research since it allows the researcher to objectively investigate the connection between AI, automation, and FR accuracy through the prism of measurable constructs. Positivist approach enables the researcher to be independent of the research topic, thus reducing bias and attaining objectivity in data gathering and analysis. This school of thought is in line with prior studies in accounting and information systems, in which quantitative research designs are often employed to study the effect of technology innovation on organizational performance. With this philosophy, the study aims at generating reality evidence that will inform the body of knowledge and contribute to theory building.

#### **Research Approach**

The research is deductive, where the hypotheses are expressed on the basis of the existing theories and empirical literature and then they are tested on the basis of the collected data. The deductive research design is suitable in this study since it is founded on the already established theoretical frameworks, such as the Technology Acceptance Model, Resource-Based View and Agency Theory, which describe the adoption and effects of technological novelties in the organizational context. In such a manner, the research starts off with the theoretical assumptions on whether Artificial Intelligence and mechanization have a positive impact on the accurateness of FR and whether risks moderate this



# Advance Journal of Econometrics and Finance

## Vol-4, Issue-2, 2026

relationship. Such assumptions are converted into testable hypotheses which are then tested with the help of statistical methods. The deductive approach guarantees a systematic and logical development of theory to empirical validation, which makes the research more rigorous and reliable.

### **Research Design**

It follows quantitative design approach since the study aims at quantifying relationships between variables using numerical data and statistical analysis. The quantitative research will be especially applicable to this study as it will be possible to objectively assess the influence of AI and automation on the accuracy of FR. Standard instruments and statistical procedures are used, ensuring that results are consistent and comparable.

The study design that was employed is cross-sectional research design in which respondents are the subjects and the data are collected at one point in time. This design accommodates the time-frame requirements and the nature of the study, which is to apprehend current perceptions and practices of AI and automation in FR. It is also an explanatory study in that it aims to describe the cause-and-effect relationships among the independent, dependent and moderating variables. The quantitative, cross-sectional and explanatory design provides a powerful framework for hypothesis testing and the production of meaningful findings in regard to the problem under investigation.

### **Population of the Study**

The sample of this study was drawn from professionals involved in financial reporting in the organizations located in Pakistan. These include accountants/ auditors, financial managers and finance officers who possess at least a suitable level of knowledge and experience relating to the application of AI and Automation in accounting applications. These individuals are measured the best respondents because they are the ones actively participating in the drafting, reviewing, and certifying financial reports. The sample consists of firms from various sectors like banking, manufacturing, services and audit firms. This ensures that the results are not industry-specific and also gives a more generalized result. The study focuses on professionals in various fields, thus gaining a holistic view of how AI and automation are being adopted and used in financial reporting.

### **Sampling Technique**

The research employs non-probability purposive sampling type, where the respondents are selected on the basis of their pertinence and knowledge in the topic. This sampling approach will be well suited in this research since only people who have sufficient knowledge on financial reporting and technological systems will be included in the study. The purposive sampling enables the researcher to target those respondents who have maximum likelihood of giving good and valuable information, thus enhancing the quality of data gathered. This approach can restrict the possibility of generalizing the results to the whole population, but it is common in the studies when it is necessary to have certain expertise. Here, the advantages of getting the pertinent and informed responses surpass the constraints of non-probability sampling.

### **Sample Size**

The sample size in the present study is calculated according to the specifications of Full Least Squares Structural Equation Modeling (PLS-SEM) to analyze data. Under the set rules, a sample size of 200 respondents is deemed to be sufficient when there is more than one variable and more than one effect of interaction in the models. The study will gather data on around 200 to 300 respondents to ensure adequate statistical power and strength of findings. This sample is deemed to be suitable to perform advanced statistical analysis which includes reliability testing, validity testing and hypothesis testing. An increased sample size also increases the representativeness of the data and the chances of sampling error are minimized.

### **Data Collection Method**

The research is built on primary data, which is gathered with the help of a questionnaire. Primary data is desirable as the researcher is able to collect the information directly with respondents and the data is likely to be associated with the research objectives. The questionnaire will focus on the insights and experiences of the respondents regarding Artificial Intelligence and automation, financial reporting accuracy and the risks involved. The methods that are employed to collect data are online surveys, email distribution, and personal contacts. Online tools like the Google Forms are employed to provide easy access and improve response rates. The respondents will be told the aim of the study and they will be assured that their responses will be kept private and would only be utilized in academics. This method allows building trust and promotes honest and true answers.

### **Measurement Scale**

The study will use a five-point Likert scale (strongly disagree 1, disagree 2, neutral 3, agree 4, strongly agree 5) to measure all variables since it is commonly known to be simple and effective in capturing attitudes and perception. The scale is between strongly disagree and strongly agree where the respondent is given the opportunity of indicating the degree of his or her agreement with every statement. Subjective perceptions can be measured using a Likert scale, which allows statistical analysis methods to be used. It is also



# Advance Journal of Econometrics and Finance

## Vol-4, Issue-2, 2026

used to achieve uniformity of all variables, which makes it easy to compare and interpret outcomes. The scale has been a common tool in past researches in technology adoption and financial reporting which even more justifies its validity and reliability.

### **Measurement of Variables**

In this research, the variables are measured with the help of the existing scales which are modified according to the previous studies. Indicators used to measure Artificial Intelligence include the application of AI in financial reporting processes such as data analysis, error recognition, and decision-making support. Automation is assessed based on the number of indicators connected with the utilization of automated systems, the decrease of manual work, and efficiency and consistency. The dependent variable, which is financial reporting accuracy is observed using indicators that describe the accuracy, reliability and consistency of financial statements. All the measurement items are integrated and adjusted to fit within the context of this study, making sure that they will be content valid and relevant.

### **Instrument Development**

The questionnaire is constructed on the basis of the vast analysis of the current literature and the validated measurement scales. It is subdivided into various parts that will take demographic data and answers to each variable. The items will be straightforward, brief, and simple to grasp so that there are limited chances of misinterpretation. A pilot study can be done to check the reliability and validity of the tool and then full-scale data collection can be done. Respondent feedback is utilized to streamline the questionnaire and make it more understandable. This procedure will make sure that the instrument is properly quantifying the desired constructs.

### **Data Analysis Techniques**

The data obtained is processed with the help of the Smart PLS, statistical software that is aimed at PLS-SEM. It is selected due to its capability to work with the complex models with many variables and the interactions effect and the lack of strict assumptions regarding the data distribution.

The analysis starts with the assessment of the measurement model, which measures the reliability and validity of the constructs. Analysis of the structural model is then done to verify the postulated relationships amongst variables by the path coefficients, t-values and p-values. A moderation analysis is performed to investigate how risks have an impact on the relationship between AI, automation, and financial reporting accuracy. This is done through development of interaction terms and determination of their importance.

### **Data Analysis Techniques**

Reliability is the measure of consistency of the measuring instrument and validity is the measure of the ability of the measuring instrument to measure the constructs intended. Cronbach Alpha and Composite Reliability are used to determine the reliability in this study and the numbers above 0.70 are acceptable. The mean variance extracted is used to measure convergent validity and the HTMT ratio is used to assess discriminant validity. These will make sure that the constructs are internally consistent and also different between them.

### **Research ethics**

The research is conducted in a highly ethical manner in order to uphold the integrity of the research. Participation is optional and the respondents receive information on the aim of the research prior to giving their consent. The confidentiality assured is by not revealing any personal information and data is only used in academic purposes. Such ethical conducts increase credibility and reliability of the study.

### **Summary**

The chapter has elaborated on the research methodology to be applied to investigate the effect of Artificial Intelligence and automation on financial reporting accuracy (RA). It established the research philosophy, approach, design, population, sampling, data collection methods, measurement of variables and data analysis techniques. In the following chapter the analysis of the obtained data and the hypothesis testing results will be presented.

### **Chapter 4**

#### **Data Analysis and Results**

This chapter introduces the discussion of the gathered data to study how Artificial Intelligence (AI) and automation affect the accuracy of FR, and how risks moderate this effect. It is analyzed with the help of the (PLS-SEM) with the help of Smart PLS. This chapter is aimed at testing the hypothesis made in the other chapters, as well as the relationships between the variables of the study. The measurement model is first evaluated, so that the reliability and validity of the constructs can be assured. The structural model is tested to test the hypothesized relations between the variables, including the moderating effect of risks.

### Response Rate and Data Screening

There were 250 questionnaires distributed to accounting professionals, auditors and financial managers in different organizations in Pakistan. Among these 212 responses were attained, which is a response rate of 84.8 percent. Following thorough screening of unfinished, conflicting or duplicated responses, 200 valid questionnaires were identified and could be analyzed. Screening of data was done to assurance the quality and reliability of data. Any missing values were negligible and they did not have any significant influence on the analysis. The standardized scores were used to investigate the outliers, and no extreme values were detected. The research utilizes PLS-SEM which does not entail stringent normality conditions but data distribution was observed to be acceptably good to work with.

**Table 4.1: Response Rate**

Description	Frequency	Percentage
Questionnaires Distributed	250	100%
Responses Received	212	84.8%
Valid Responses	200	80%

According to Table 4.1, the study has high response rate, thus making the results more reliable. A sample size of 200 respondents is sufficient to perform PLS-SEM analysis and has sufficient statistical power.

### Demographic Profile of Respondents

Demographic features of the respondents give an understanding of the composition of the sample. Most of the respondents were men with a majority of about 65 percent and 35 percent were the women. The majority of the respondents (mostly 25 to 40 years) were of relatively young and work-active age, which represents a rather young population. In terms of education, most of them had master degrees in either accounting, finance or other related subjects but a smaller percentage of them had professional qualifications like CA, ACCA, or CMA. Regarding experience, majority of the respondents had between 3 and 10 years of professional experience implying sufficient exposure to financial reporting practices. The sample of the respondents included various industries such as banking, manufacturing, services and audit firms among others and this means that there was diversity and thus the findings will be generalized.

**Table 4.2: Demographic Profile**

Variable	Category	Frequency	Percentage
Gender	Male	130	65%
	Female	70	35%
Age	25–30	80	40%
	31–40	90	45%
	Above 40	30	15%
Education	Bachelor	50	25%
	Master	120	60%
	Professional	30	15%

As Table 4.2 shows, the sample is balanced and comprised of qualified professionals with pertinent experience. This increases the validity of the information, since the respondents can give informed judgments on AI, automation, and financial reporting.

### Measurement Model Assessment

The following analysis are measured through this:

#### Reliability Analysis

It is the measuring instrument and evaluated based on Cronbach Alpha and Composite Reliability (CR).

**Table 4.3: Reliability Analysis**

Construct	Cronbach's Alpha	Composite Reliability
Artificial Intelligence	0.85	0.90
Automation	0.83	0.88
Financial Reporting Accuracy	0.87	0.91
Risks	0.81	0.86

Table 4.3 shows that the Cronbach's Alpha and Composite Reliability of all constructs are greater than 0.70, which indicates a good internal consistency. This confirms that the measurement items are good representatives of their constructs.

### Convergent Validity

It is evaluated using average variance extracted (AVE) and results showed that all the constructs have the AVE value greater than 0.50, which means that the constructs explain more than half of the variance of the indicators. These results check the validity of the measures, are convergent and further analysis can be performed.

**Table 4.4: Convergent Validity**

Construct	AVE
Artificial Intelligence	0.65
Automation	0.62
Financial Reporting Accuracy	0.68
Risks	0.60

As seen in Table 4.4, all the AVE values are above 0.50, indicating that the constructs are meaningful to the extent that they explain the variance of the indicators.

### Discriminant Validity

It is used to make sure that there are no overlaps between the constructs. It is evaluated with the help of HTMT (Heterotrait-Monotrait Ratio). These findings suggest that all the HTMT scores are below the 0.90 threshold, which can be considered as evidence that the constructs are different enough. In this way, the measurement model meets all the criteria of reliability and validity.

**Table 4.5: Discriminant Validity (HTMT)**

Constructs	AI	Automation	FRA	Risk
AI		0.65	0.70	0.60
Automation			0.68	0.62
FRA				0.66

Table 4.5 reveals that all the values of HTMT are less than 0.90, which means that the constructs are not similar to each other. This ascertains discriminant validity.

### Structural Model Assessment

Once the validity and reliability of the measurement model is established, the structural model is tested to determine the hypothesized variable relationships.

### Coefficient of Determination (R<sup>2</sup>)

The findings indicate that the R<sup>2</sup> of financial reporting accuracy is 0.62, which means that 62 percent of the variation in financial reporting accuracy is associated with AI, automation, and risks. This indicates that the model is highly explanatory in nature and can be used to test hypothesis.

### Coefficient of Determination (R<sup>2</sup>)

**Table 4.6: R-Square Values**

Dependent Variable	R <sup>2</sup> Value
Financial Reporting Accuracy	0.62

Table 4.6 reveals that 62% of financial reporting accuracy variance can be attributed to AI, automation and risks. This implies that the model has a high explanatory power.

### Path Coefficients and Hypothesis Testing

Path coefficients are the magnitude and direction of relationships among variables. The outcome of hypothesis testing that there is a great positive influence of Artificial Intelligence on the accuracy of financial reporting (0.38,  $p < 0.05$ ). Financial reporting accuracy is another major area of positive impact by automation (0.41,  $p = 0.05$ ). The risk moderating effect is significant and negative, which implies that risks undermine the relationship between AI, automation and FRA ( $= -0.22$ ,  $p < 0.05$ ). All the hypotheses of the study are supported by these results.

**Table 4.7: Hypothesis Testing**

Hypothesis	Relationship	Beta	T-value	P-value	Result
H1	AI → FRA	0.38	5.12	0.000	Supported
H2	Automation → FRA	0.41	5.80	0.000	Supported
H3	Risk Moderation	-0.22	3.10	0.002	Supported

Table 4.7 shows that AI and automation have a considerable positive impact on the level of FRA. The negative moderating effect implies that threats undermine these relationships.

### Moderation Analysis

Interaction terms (AI × Risk and Automation × Risk) are used to investigate the moderating role of risks. The findings suggest that risks have a strong negative effect on the beneficial influence of AI and automation on the accuracy of FR. It means that, although AI and automation enhance the accuracy of reporting, they are affected by the fact that such risks as the quality of data, the threat of cybersecurity attacks, and the absence of transparency are present.

### Discussion of Results

The findings of this study are tremendous proofs that SMM can have a significant influence on CPI of textile brands in Pakistan. The findings are in line with the existing literature that social media platforms were efficient marketing tools that characterize consumer attitudes and purchasing choices. These results show that SMM positively affects BT. It means that such promotional activities as influencer promotion, online reviews, and brand communications can assist the consumers to be more certain about textile brands. This finding corresponds to the finding of Hajli (2014), who claims that, on the one hand, the communication via SM positively influences consumer trust and influences the purchase, on the other hand. The mediation analysis concluded that BT is a noteworthy variable in supporting the presence of a relationship between the SMM and PI. This implies that individuals would purchase products of a brand that they trust. The moderation factor depicted that CE increases the effectiveness of SMM on the purchase intention. It is more appropriate to mention that the more consumers engage with brands through SM, the more they are likely to develop positive attitudes and PI. Overall, the findings suggest that SMM is a promising promotion tool that can be implemented by textile companies to attract the attention of consumers and make sales in the competitive fashion industry.

## Chapter 5

### Discussion, Conclusion and Recommendations

The following chapter contains a detailed argument of the results of the empirical analysis carried out in the previous chapter. It discusses the findings within the framework of research goals and the current literature about (AI), automation, and the accuracy of FR. This chapter aims to summarize the results in general and show how the research will benefit both the academic and practical aspects of the field of accounting and FR

### Discussion

Acknowledgements for the declaration given study was changed to on studying the influence of artificial intelligence and automation on cash reporting accuracy and to examine if the risks are a moderating factor. The results of the empirical analysis indicate that artificial intelligence has a positive and robust effect on cash reporting accuracy. That is, the accuracy, reliability and uniformity in the economic reporting procedure that the AI production embodies. Because AI algorithms can analyze large amounts of financial data in real time, identify anomalies, and predict valuation, this minimizes the errors caused by humans and leads to more accurate cash accounts. These results align with the previous literature, showing that the AI-based framework improves statistical precision and the financial reporting framework (Issa et al., 2022; Kokina and Blanchette, 2023). Apart from AI, the research shows that automation positively impacts cash reporting accuracy.



# Advance Journal of Econometrics and Finance

## Vol-4, Issue-2, 2026

Automation systems and particularly those that involve rule-based methods, greatly reduce human intervention and errors associated with repetitive tasks involving accounting. Financial reporting can rely more on automation because mentioned in the previous paragraphs, it leads to standardized financial processes and uniformity in the way data are processed. This result is in the line of literature as it suggests that with automation, increased efficiency means less processing time, and thus more accurate reporting (Sutton et al., 2021). Results suggest that those organizations using automation technologies are more likely to be able to produce accurate and timely financial statements. However, the study also reveals that AI and automation risks positively moderate this relation.

A negative moderating effect implies that the positive impact of AI and automation on financial reporting accuracy can be weakened by such risks as data quality, cybersecurity threats, algorithmic bias, and opacity. This finding is particularly important, as it highlights that the benefits of adopting technology-based solutions are not a given but rather depend on developing effective risk management behaviors. These results are in line with recent papers underlining potential unexpected consequences of the application of AI to financial reporting if not adequately governed. In general, the findings suggest that AI and automation positively influence the informativeness of financial reporting precision but risk management attitude of the firm moderates this positive effect. The implementation of sophisticated technology would likewise need to include strong internal controls, data management practices, and ongoing monitoring to confirm that the full assistances are appreciated.

### **Conclusion**

This study aimed to scrutinize the effect of AI and automation on FR accuracy, and the moderating role of risks. Based on the empirical findings, it can be concluded that both AI and automation play a important role in enhancing the quality of the financial reporting process. By using these methods, companies can reduce errors, increase data uniformity, and generate live financial data, leading to higher quality financial reporting overall. It also finds that the threats to AI and automation are existential for them. While such technologies are very advantageous, they can be compromised by issues such as poor-quality data, cyber security threats, and lack of transparency. Therefore, firms should accept a balanced approach that integrates technological innovation with sound risk management practices. This article provides insights into the tasks and chances of digital change in financial reporting with reference to emerging nations such as Pakistan, wherein AI and automation are yet to gain momentum. The findings suggest that reporting accuracy can be significantly improved at the firm level through AI and automation, provided that the risks are adequately addressed.

### **Theoretical Implications**

This study has several contributions to the extant literature. First, it enables more applications of established theoretical models, such as the (TAM), (RBV), and Agency Theory, to AI and financial reporting. By delivering an empirical validation for the linkage among AI, automation, and financial reporting correctness, the study also confirms the theoretical presumption that technological capability enhances organizational performance. Second, the research adds risk as a moderator which provides a more comprehensive view of the relationship between technology adoption and financial reporting outcomes. This contribution is high-quality because it fills a gap in the literature because the role of risks has been neglected in most cases. The study is more realistic and nuanced because it introduces the element of risk into the conceptual framework of the study to understand the effects of AI and automation.

### **Managerial Implications**

The implication of this research on practitioners, particularly, the textile brands and the marketing experts, is enormous. One of the key implications is the necessity to set effective SMM campaigns that strive to achieve engagement, building trust, and quality content. The brands will have to invest in creating images that are attractive and educative to the target audience. The second important implication is that the need to build trust in online environments and foster it exists. The brands will be open in the communication, provide the truthful information and reply to the customers on the questions and feedback promptly. This can give the brand a credibility and confidence on the consumer. Another important element that is shown in the paper is the consumer engagement in the determination of success of SMM. The interaction should be encouraged between brands in the type of comments, sharing, and user-created content. Interestingly consumers can be engaged into activities that will enable them to be more attached to the brand and they will most likely buy the product.

### **Limitations**

In spite of its contributions, there are some limitations that this study has. The study is also confined to organizations that are based in Pakistan and this could limit the extrapolation of the results to other terrestrial locations. It is restricted by the research design employed cross-sectional research design in order to analyze changes in the course of time. Also, self-reported data could be vulnerable to response bias, as respondents could be giving socially desirable responses.



# Advance Journal of Econometrics and Finance

## Vol-4, Issue-2, 2026

### Recommendations for Future Research

This research can be extended in the future by means of longitudinal research to explore the long-term effects of AI and automation on financial reporting. Other moderating variables that can be inspected by the researchers include organizational culture, technological readiness and employee competencies. Comparative studies across countries and industries could provide a clearer view of the influence of AI in financial reporting.

### Conclusion

In conclusion, the aspects of financial reporting quality were substantially improved by intelligent automation in this study, which may be attributed to a more complex and more accurate reporting process. Their results depend, however, on the capacity of the firm to manage the risks associated. Balanced, strategic management of these issues can allow organizations to leverage the new technology to increase financial transparency and make better decisions for sustained growth.”

### References

- Aboramadan, M. (2022). Linking green human resource management practices to environmental performance through green work engagement: The moderating role of green innovation. *Journal of Environmental Management*, 301, 113850. <https://doi.org/10.1016/j.jenvman.2021.113850>
- Abubakr, A. A. M., Khan, F., Mohammed, A. A. A., Abdalla, Y. A., Mohammed, A. A. A., & Ahmad, Z. (2024). Impact of AI applications on corporate financial reporting quality: Evidence from UAE corporations. *Qubahan Academic Journal*, 4(3), 782-792.
- AHMAD, A. Y. B., & MOHAMED, R. R. (2024). Intelligent automation in accounting and financial reporting. *Journal of Tianjin University Science and Technology*, 57(6), 480.
- Ajiga, D. I., & Anfo, P. (2021). Strategic framework for leveraging artificial intelligence to improve financial reporting accuracy and restore public trust. *International Journal of Multidisciplinary Research and Growth Evaluation*, 2(1), 882-892.
- Alhazmi, A. H. J., Islam, S. M., & Prokofieva, M. (2025). The impact of artificial intelligence adoption on the quality of financial reports on the Saudi Stock Exchange. *International Journal of Financial Studies*, 13(1), 21.
- Almeida, F., Duarte Santos, J., & Monteiro, J. (2022). The challenges and opportunities in the digitalization of companies in a post-COVID-19 world. *IEEE Engineering Management Review*, 50(2), 97–103. <https://doi.org/10.1109/EMR.2022.3151434>
- Al-Okaily, M. (2025). Artificial intelligence and its applications in the context of accounting and disclosure. *Journal of Financial Reporting and Accounting*, 23(4), 1387-1401.
- Al-Okaily, M., Al-Okaily, A., Shiyab, F., & Masadah, W. (2023). Accounting information system effectiveness and organizational performance: The mediating role of business intelligence systems. *Sustainability*, 15(4), 3456.
- Alqsass, M., Qubbaja, A., Alghizzawi, M., Jebreel, M., Dweiri, M., & Qabajeh, M. (2025). The Role of Artificial Intelligence Adoption to Improve Quality of Financial Reports (Case Study Based on Jordanian Traditional Banks). In *Green Finance and Energy Transition: Innovation, Legal Frameworks and Regulation* (pp. 605-619). Cham: Springer Nature Switzerland.
- Alshi, C. S. (2025). Artificial Intelligence, ESG, and the future of financial reporting. *Journal of Marketing & Social Research*, 2, 442-446.
- Alslaibi, N. A., Mowafaq Alshdaifat, S., Yousef Bani Hani, L., Kamal Khaled Abu Farha, E., & Yousif Alhasnawi, M. (2026). Artificial intelligence and financial statement transparency: The moderating role of accounting information systems' reliability. *EDPACS*, 71(5), 17-29.
- Alzeghoul, A., & Alsharari, N. M. (2024). Impact of AI disclosure on the financial reporting and performance as evidence from US banks. *Journal of risk and financial management*, 18(1), 4.
- Anantharaman, D., Rozario, A., & Parker, C. A. (2023). Artificial intelligence and financial reporting quality. *Available at SSRN 4625279*.
- Annor, A. S. (2020). Impact of digitalization and automation of financial reporting. *Available at SSRN 6212179*.
- Apooyin, A. (2024). The impact of artificial intelligence on financial reporting and compliance: Opportunities, challenges, and ethical considerations. *Journal of Financial Compliance*, 8(3), 45-62.
- Appelbaum, D., Kogan, A., Vasarhelyi, M., & Yan, Z. (2022). Impact of business analytics and enterprise systems on managerial accounting. *International Journal of Accounting Information Systems*, 45, 100559.
- Arun, K. (2024). ARTIFICIAL INTELLIGENCE INVESTMENT, REALISTIC REPORTS, AND FINANCIAL LOSS. *Denetisim*, (31), 117-128.



# Advance Journal of Econometrics and Finance

## Vol-4, Issue-2, 2026

- Bagustari, B. A., Alshehadeh, A. R., Al-Khawaja, H. A., El Qirem, I., Elrefae, G. A., & Alsmadi, A. A. (2024, December). The impact of artificial intelligence tools on the quality of financial reports in service companies. In *2024 25th International Arab Conference on Information Technology (ACIT)* (pp. 1-5). IEEE.
- Bhagat, N. (2024). Artificial intelligence challenges and its impact on detection and prevention of financial statement fraud: A theoretical study. In *Demystifying the Dark Side of AI in Business* (pp. 60-80). IGI Global Scientific Publishing.
- Bitkuri, V., Kendyala, R., Kurma, J., Mamidala, V., Enokkaren, S. J., & Attipalli, A. (2021). Systematic Review of Artificial Intelligence Techniques for Enhancing Financial Reporting and Regulatory Compliance. *International Journal of Emerging Trends in Computer Science and Information Technology*, 2(4), 73-80.
- Blankespoor, E., Dehaan, E., & Li, Q. (2026). Generative AI in financial reporting. *Journal of Accounting Research*.
- Bogdan, V., Hațegan, C. D., Török, R. M., Blidișel, R. G., Popa, D. N., & Pitorac, R. I. (2025). Driving Sustainable Value. The Dynamic Interplay Between Artificial Intelligence Disclosure, Financial Reporting Quality, and ESG Scores. *Electronics*, 14(16), 3247.
- Calderon, T. G., Gao, L., & Cardoso, R. L. (2023). Generative artificial intelligence in the classroom: A financial accounting experience.
- Csere, P., Estep, C., Griffith, E. E., & MacKenzie, N. L. (2025). Financial Executives' Responses to the Use of Artificial Intelligence in Financial Reporting and Auditing. *Current Issues in Auditing*, 1-9.
- Darmawati, D., Jaafar, N. I., Hs, R., Baja, H. K., Purisamy, A. J., Yolanda, A. M. W., ... & Juanda, M. R. P. (2025). The Role of Artificial Intelligence in Improving the Efficiency and Accuracy of Local Government Financial Reporting: A Systematic Literature Review. *Journal of Risk and Financial Management*, 18(11), 601.
- Davenport, T. H., & Kirby, J. (2022). *Only humans need apply: Winners and losers in the age of smart machines*. Harper Business.
- Faccia, A., Al Naqbi, M. Y. K., & Lootah, S. A. (2019, August). Integrated cloud financial accounting cycle: how artificial intelligence, blockchain, and XBRL will change the accounting, fiscal and auditing practices. In *Proceedings of the 2019 3rd international conference on cloud and big data computing* (pp. 31-37).
- Fachriyah, N., & Anggraeni, O. L. (2024). The Use of Artificial Intelligence in Financial Statement Audit. *Jurnal Indonesia Sosial Teknologi*, 5(10).
- Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2021). *A primer on partial least squares structural equation modeling (PLS-SEM)* (3rd ed.). Sage Publications.
- Hamidi, K. S., Al-Saadi, M. N., & Al-Shibli, G. I. (2023). Using artificial intelligence techniques to improve financial reporting and its impact on investor decisions. *Tikrit Journal of Administrative and Economic Sciences*, 19(1), 58-75.
- Hashem, F., & Alqatamin, R. (2021). Role of artificial intelligence in enhancing efficiency of accounting information system and non-financial performance of the manufacturing companies. *International Business Research*, 14(12), 1-65.
- Hassan, M., Shaukat, S., Nawaz, M., & Naz, S. (2023). Digital transformation and financial reporting quality: Evidence from emerging economies. *Journal of Accounting in Emerging Economies*, 13(2), 456-472.
- Igbokwe, C. I., Anikeze, N. H., & Ugwunwangwu, M. G. C. (2025). The role of artificial intelligence (AI) in enhancing administrative accountability and financial reporting in selected public organizations in Enugu State, Nigeria. *Newport International Journal of Current Research in Humanities and Social Sciences*, 5(2), 54-65.
- Issa, H., Sun, T., & Vasarhelyi, M. (2022). Research ideas for artificial intelligence in auditing: The formalization of audit and workforce supplementation. *Journal of Emerging Technologies in Accounting*, 19(1), 1-20.
- Jaafar, M. A. (2025). The Impact of Artificial Intelligence in Detecting Manipulations in Financial Statements. *Futurity Economics&Law*, 5(2), 51-72.
- Kernbichler, S. (2020). Artificial intelligence in financial reporting.
- Khan, F., Ullah Jan, S., & Zia-ul-haq, H. M. (2025). Artificial intelligence adoption, audit quality and integrated financial reporting in GCC markets. *Asian Review of Accounting*, 33(3), 464-495.
- Khorsheed, H. S., Ismael, N. B., & Mahmud, S. H. O. (2024). The impact of artificial intelligence and machine learning on financial reporting and auditing practices. *International Journal of Advanced Engineering, Management and Science*, 10(6), 30-37.
- Kindzeka, K. A. C. (2023). Impact of artificial intelligence on accounting, auditing and financial reporting. *American Journal of Computing and Engineering*, 6(1), 29-34.
- Kokina, J., & Blanchette, S. (2023). Early evidence of digital labor in accounting: Innovation with Robotic Process Automation. *Accounting Horizons*, 37(1), 45-60.
- Kokina, J., & Davenport, T. H. (2021). The emergence of artificial intelligence: How automation is changing auditing. *Journal of Emerging Technologies in Accounting*, 18(1), 115-122.



# Advance Journal of Econometrics and Finance

## Vol-4, Issue-2, 2026

- Kuaiber, M. Q., Ali, Z. N., Al-Yasiri, A. J., Kareem, A. J., Al, M. A., & Almagtome, A. (2024, April). Automation and the future of accounting: a study of AI integration in financial reporting. In *2024 International Conference on Knowledge Engineering and Communication Systems (ICKECS)* (Vol. 1, pp. 1-6). IEEE.
- Kumar, S., & Vandanapu, M. K. (2024). Natural language generation and artificial intelligence in financial reporting: Transforming financial data into strategic insights for executive leadership. *International Journal of Computer Engineering and Technology (IJCET)*, 15(2).
- Kureljusic, M., & Karger, E. (2024). Forecasting in financial accounting with artificial intelligence—A systematic literature review and future research agenda. *Journal of Applied Accounting Research*, 25(1), 81-104.
- Kuswara, Z., Pasaribu, M., Fitriana, F., & Santoso, R. A. (2024). Artificial intelligence in financial reports: How it affects the process's effectiveness and efficiency. *Jurnal ilmu keuangan dan perbankan (jika)*, 13(2), 257-272.
- Madloul, S. R., & Mohammed, A. M. (2024). The Reflection of Artificial Intelligence Technologies on Improving the Quality of Financial Reports in Commercial Banks. *Journal of Information Systems Engineering and Management*, 10.
- Md Shakil, I., Md, R., Md Sultanul Arefin, S., & Md Ashraful, A. (2022). Impact of digital transformation on financial reporting and audit processes. *American Journal of Economics and Business Management*, 5(12), 213-227.
- Moll, J., & Yigitbasioglu, O. (2023). The role of internet-related technologies in shaping the work of accountants. *The British Accounting Review*, 55(2), 101174.
- Munyepwa, K., Ranganayi, C., Mudzengerere, L., Mutongereni, N., & Gwesu, N. C. (2026). Transforming financial reporting and auditing through artificial intelligence: A Zimbabwean institutional perspective. *International Journal of Financial, Accounting, and Management*, 7(3), 503-517.
- Mwachikoka, C. F. (2024). Effects of artificial intelligence on financial reporting accuracy. *World Journal of Advanced Research and Reviews*, 23(3), 1751-1767.
- Neiroukh, N., & Çağlar, D. (2025). Information systems quality and corporate sustainability: Unpacking the interplay of financial reporting, artificial intelligence, and green corporate governance. *Systems*, 13(7), 537.
- Odonkor, B., Kaggwa, S., Uwaoma, P. U., Hassan, A. O., & Farayola, O. A. (2024). The impact of AI on accounting practices: A review: Exploring how artificial intelligence is transforming traditional accounting methods and financial reporting. *World Journal of Advanced Research and Reviews*, 21(1), 172-188.
- Osamor, I., & Adeniran, O. (2020). Effects of artificial intelligence on financial reporting: evidence from KPMG and PwC. *Lasu J Account Financ*, 5(1), 150-159.
- Oweis, K. A. (2025). The role of artificial intelligence in developing accounting: Automating processes and enhancing financial reporting in Saudi Arabia. *Management*, 29(1).
- Pan, H., & Zhang, Z. (2024). Research on automation and data accuracy of financial reporting driven by artificial intelligence. *Financial Engineering and Risk Management*, 7(6), 158-165.
- PwC. (2024). *AI in financial reporting: Global insights report*. PricewaterhouseCoopers.
- Raimo, N., Vitolla, F., Marrone, A., & Rubino, M. (2023). Artificial intelligence and accounting: A systematic literature review. *Meditari Accountancy Research*, 31(2), 456–478.
- Rajput, A., & Katamba, I. (2024). Leveraging artificial intelligence and big data in public accounting: redefining audit practices and financial reporting. *International Journal of Research Publication and Reviews*, 5(11), 5516-5531.
- Rakibuzzaman, M., Akash, T. R., Reza, J., & Alam, M. A. (2025). Automated financial reporting and enhancement of efficiency of accounts. *Journal of Economics, Finance and Accounting Studies*, 7(1), 80-92.
- Saleh, M. M. A., Jawabreh, O. A., Al Om, R., & Shniekat, N. (2021). Artificial intelligence (AI) and the impact of enhancing the consistency and interpretation of financial statement in the classified hotels in aqaba, Jordan. *Academy of Strategic Management Journal*, 20, 1-18.
- Saxena, R. (2022). A conceptual framework for assessing the application of artificial intelligence for financial reporting. *Universal Journal of Accounting and Finance*, 10(5), 897-911.
- Sharbek, N. (2023, March). Navigating the impact of artificial intelligence on International Financial Reporting Standards (IFRS). In *International conference on business excellence* (pp. 283-297). Cham: Springer Nature Switzerland.
- Shatila, K. (2026). Artificial intelligence capability and real-time financial reporting: the mediating roles of automation, integration, and data quality. *International Journal of Disclosure and Governance*, 1-13.



# Advance Journal of Econometrics and Finance

## Vol-4, Issue-2, 2026

- Shiyyab, F. S., Alzoubi, A. B., Obidat, Q. M., & Alshurafat, H. (2023). The impact of artificial intelligence disclosure on financial performance. *International Journal of Financial Studies*, 11(3), 115.
- Siddiqui, A. B. (2024). Impact of Artificial Intelligence on Financial reporting: Evidence from KPMG and S & P GLOBAL.
- Sutton, S. G., Holt, M., & Arnold, V. (2021). The reports of my death are greatly exaggerated Artificial intelligence research in accounting. *International Journal of Accounting Information Systems*, 42, 100512.
- Türegün, N. (2019). Impact of technology in financial reporting: The case of Amazon Go. *Journal of Corporate Accounting & Finance*, 30(3), 90-95.
- Wyrobek, J. (2020). Application of machine learning models and artificial intelligence to analyze annual financial statements to identify companies with unfair corporate culture. *Procedia Computer Science*, 176, 3037-3046.
- Zwaid, J. G., & Mohammed, Z. F. (2023). The impact of artificial intelligence systems and technology on the sustainability of the quality of financial reports. *Al Kut Journal of Economics and Administrative Sciences*, 15(49), 469-488.
- Мохаммед, А. М., & Ваххаб, А. (2024). The relationship between artificial intelligence and e-accounting programs: Impact on the quality of financial reports in Iraqi banks. *Financial and credit activity problems of theory and practice*, 6(59), 180-193.