Journal of Economic and Financial Studies **Volume: 18 / December 2025, p 63-75**

The Impact of Artificial Intelligence Technologies on the Quality of Financial Reports.

(Field study on a sample of private sector companies):

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Received: 06/08/2025 Accepted: 20/09/2025 Published: 25/12/2025

Abstract

This study examines the impact of artificial intelligence (AI) technologies on the quality of financial reporting in the private sector. The research problem centers on whether AI adoption effectively enhances reporting quality amid concerns about ethics, data privacy, and transparency. The main objective is to assess the relationship between AI integration and financial reporting quality. Using a descriptive-analytical approach, data were collected from 100 finance professionals, and statistical methods (correlation, regression, Chi-square) were applied. The study focused on three key axes: the level of AI integration, reporting accuracy and efficiency, and ethical considerations. Results revealed a strong positive correlation between AI adoption and improved reporting quality—particularly in data accuracy, error reduction, and speed. However, transparency and ethical challenges persist. The study recommends structured AI adoption strategies, ongoing staff training, and ethical governance frameworks, while advocating hybrid models that balance automation with human oversight.

Keywords:

Artificial Intelligence, Financial Reporting Quality, Automation, Ethical Challenges

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1. Introduction

In recent years, the financial reporting landscape has witnessed profound transformation driven by rapid technological advancements, particularly in artificial intelligence (AI). AI has emerged as a game-changing tool in the accounting and finance sectors, enabling automation, real-time data analysis, anomaly detection, and predictive analytics. These capabilities have introduced the possibility of more accurate, timely, and reliable financial reports. However, questions persist regarding how AI integration aligns with the established qualitative attributes of financial reporting as defined by international standards such as IFRS and GAAP. This study explores the implications of AI technologies on the overall quality of financial reporting, with a specific focus on key qualitative characteristics such as relevance, reliability, accuracy, comparability, and timeliness.

2. Research Problem

Despite the growing use of AI tools in finance, there remains a lack of empirical evidence regarding their true impact on the quality of financial reports. While AI promises efficiency and accuracy, it also introduces concerns about data integrity, algorithmic transparency, and human oversight. Therefore, the central research problem addressed in this study is:

"To what extent do artificial intelligence technologies influence the quality of financial reports in terms of their accuracy, timeliness, reliability, and relevance?"

3. Research Significance

This study is significant for several reasons:

1-Academic significance: It addresses a knowledge gap in the intersection of AI technologies and financial reporting quality, especially in the context of developing economies.

2-Practical significance: The findings can guide financial institutions and corporate entities in adopting AI responsibly and strategically to improve reporting quality.

3-Policy relevance: It offers insights for regulatory bodies to design appropriate frameworks that ensure transparency, ethical use, and accountability in AI-driven reporting.

4. Research Objectives

The study aims to:

1. Analyze the extent to which AI technologies are currently applied in financial reporting.
2. Evaluate the impact of AI on each of the key qualitative characteristics of financial reports.
3. Identify the main advantages and risks associated with using AI in financial reporting systems.
4. Recommend strategies for effectively integrating AI to enhance reporting quality without compromising transparency or accountability.

5. Research Hypotheses

The research is guided by the following hypotheses:

1-H1: The use of AI technologies significantly improves the accuracy of financial reports.

2-H2: AI contributes to the timeliness and relevance of financial disclosures.

3-H3: The integration of AI into financial systems helps in reducing **manual errors** and improves internal control.

4-H4: There are identifiable challenges and risks in applying AI to financial reporting processes.

6. Research Methodology

To address the research problem and test the hypotheses, the study adopts a descriptive-analytical methodology with a mixed-methods approach, combining both quantitative and qualitative tools:

1-Quantitative component: A structured questionnaire was distributed to finance and accounting professionals in organizations that have adopted AI.

2-Qualitative component: Five case studies were conducted involving interviews with finance teams in AI-integrated firms.

3-Statistical analysis: Descriptive statistics, correlation analysis, and regression modeling were used to analyze survey results. Thematic analysis was applied to interpret case study findings.

7. Structure of the Study

The research paper is structured as follows:

Chapter 1: Introduction – Provides background, research problem, significance, objectives, hypotheses, and methodology.

Chapter 2: Literature Review – Presents a review of relevant previous studies and identifies research gaps.

Chapter 3: Theoretical Framework – Introduces the conceptual and theoretical foundations underpinning the study.

Chapter 4: Data Analysis – Analyzes quantitative and qualitative data gathered during the study.

Chapter 5: Findings and Discussion – Summarizes the results and interprets them in light of the literature and hypotheses.

Chapter 6: Results and Recommendations – Concludes the study and offers practical and academic suggestions for future action

2. Literature Review

To explore the relationship between artificial intelligence technologies and the quality of financial reports, several recent studies have addressed this topic from different perspectives. This section reviews three contemporary and relevant studies that provide empirical and theoretical insight.

Study 1: Ahmed and Khan (2022)

This study examined the limited accuracy and transparency in traditional financial reporting systems and whether AI can serve as a corrective mechanism ، To evaluate the role of AI in improving accuracy, detecting fraud, and enhancing transparency in financial disclosures ، A quantitative approach was used. The researchers distributed surveys to 150 accounting professionals in fintech companies across the UK and UAE , 85% of respondents agreed that AI significantly improved data accuracy ، AI-based tools like anomaly detection and NLP reduced the risk of fraud ، Automated systems shortened reporting cycles by up to 30% ، Companies should invest in training staff on AI tools and implement hybrid (AI-human) reporting systems for optimal results.

Study 2: Lee and Chen (2020)

The study investigated ethical challenges emerging from the use of AI in automated financial decisions and reporting ، To explore how transparency and trust are affected when AI replaces human judgment in financial disclosures ، Qualitative research using semi-structured interviews with financial auditors and AI developers in Singapore and the USA، Many respondents expressed concern over the **"black box"** nature of AI systems ، While AI improved efficiency , it sometimes led to misinterpretation of financial events ، Stakeholders had difficulty trusting financial reports

without human validation ، The researchers called for clearer AI governance frameworks, emphasizing explainability and auditability in AI algorithms.

Study 3: Smith, Green and Patel (2021)

The study explored how machine learning tools impact the reliability and consistency of financial forecasts published by firms ، To test whether AI-assisted forecasting tools produce more reliable and verifiable financial projections ، A case study approach was applied across 10 publicly listed firms in Canada that use AI for financial modeling ، Forecasting errors decreased by an average of 23% after AI integration ، Firms using AI tools produced more consistent earnings guidance ، Stakeholders perceived AI-generated forecasts as more objective, The authors encouraged firms to integrate AI gradually while maintaining internal validation processes to ensure quality control.

3. Theoretical Framework

The theoretical framework of this study is structured into two main chapters. The first addresses the conceptual foundations and technologies of artificial intelligence (AI), particularly in financial contexts. The second elaborates on the quality dimensions of financial reporting as defined by international standards and accounting theory.

Chapter One: The Concept of Artificial Intelligence and its Applications in the Financial Sector

3.1 Definition and Evolution of Artificial Intelligence

Artificial intelligence (AI) is broadly defined as the capability of machines and computer systems to replicate intelligent human behavior, including learning, reasoning, perception, and decision-making (Russell and Norvig, 2020). In recent years, AI has moved from theoretical computer science into applied business domains, including accounting and finance.

According to Haenlein and Kaplan (2019), AI is "a system's ability to interpret external data correctly, to learn from such data, and to use those learnings to achieve specific goals and tasks through flexible adaptation."

3.2 Types of AI Technologies in Finance

The application of AI in the financial domain spans multiple tools and techniques that enhance reporting, auditing, decision-making, and compliance. The most common types include:

3.2.1 Machine Learning (ML)

ML algorithms enable systems to learn from financial data and make predictions or decisions. It's widely used in fraud detection, revenue forecasting, and financial anomaly detection (Bhimani and Willcocks, 2021).

3.2.2 Natural Language Processing (NLP)

NLP allows AI systems to analyze and generate human-like language, helping in automated report generation, sentiment analysis, and understanding of regulatory texts (Goel et al., 2022).

3.2.3 Robotic Process Automation (RPA)

RPA automates routine tasks like journal entries, reconciliations, and data transfers, significantly reducing human error and processing time (Appelbaum et al., 2017).

3.2.4 Predictive Analytics

These techniques use historical data to forecast trends and outcomes, helping organizations better plan budgets and assess financial risks (Kokina and Davenport, 2017).

3.2.5 Expert Systems and Knowledge-Based Systems

These AI applications built on rules and logic mimic expert decision-making in areas such as tax compliance or risk scoring.

3.3 Benefits of AI in Financial Reporting

The integration of AI into financial operations offers a wide range of benefits that directly affect reporting quality:

1-Increased Accuracy: Automated data processing and validation minimize human errors.

2-Timeliness: Real-time financial processing and report generation reduce reporting delays.

3-Consistency: AI systems apply rules uniformly, improving comparability.

4-Fraud Detection: AI can uncover irregularities in financial patterns not easily visible to humans.

As noted by PwC (2020), firms that adopt AI in their financial operations report up to 40% reduction in processing time and 30% fewer data entry errors.

3.4 Challenges of AI Implementation in Finance

Despite the potential, AI use raises several concerns:

1-Data Privacy and Security

2-Algorithmic Bias

3-Loss of Human Judgment

4-Lack of Regulatory Clarity

5-"Black Box" Problem – Where decision processes are not transparent

These challenges are highlighted by studies such as Lee and Chen (2020) and Vasarhelyi et al. (2015), emphasizing the need for ethical frameworks and explainability.

Chapter Two: The Concept and Dimensions of Financial Reporting Quality

3.5 Definition of Financial Reporting Quality

Financial reporting quality refers to the extent to which financial statements provide accurate, relevant, and timely information that reflects a firm's actual financial position and performance (Dechow and Dichev, 2002).

High-quality financial reports enhance investor confidence and reduce information asymmetry between managers and stakeholders.

3.6 Qualitative Characteristics of Financial Reporting (per IASB Framework)

According to the **IASB Conceptual Framework (2018)**, the essential qualitative characteristics are:

1. **Relevance** – Financial information must affect users' decisions.
2. **Faithful Representation** – Information must be complete, neutral, and free from error.
3. **Comparability** – Enables cross-period and cross-company analysis.
4. **Verifiability** – Allows stakeholders to confirm the accuracy of information.
5. **Timeliness** – Delivered in time to influence decisions.
6. **Understandability** – Clear presentation for users with basic financial knowledge.

3.7 Factors Influencing Financial Reporting Quality

1-Internal Controls and Governance

2-Auditor Independence

1-Accounting Standards Compliance

2-Use of Technology and Automation

3-Corporate Ethics and Transparency

AI has the potential to enhance many of these factors by reducing manual manipulation and improving internal controls (Zhang, 2019).

3.8 Theoretical Link Between AI and Reporting Quality

Based on **Agency Theory**, managers may have incentives to misreport performance. AI introduces systemized, rule-based processes that can mitigate managerial bias and enhance transparency. **Technology Acceptance Model (TAM)** also supports this by explaining user trust and adoption of AI in organizational settings (Davis, 1989).

4. Data Analysis and Hypotheses Testing

This section presents the results of the field research conducted on a sample of professionals working in the **private financial sector**, particularly in firms that have adopted AI technologies in their financial reporting systems. The analysis aims to test the study's hypotheses using statistical tools such as **Pearson correlation**, **regression analysis**, and **Chi-square tests**.

4.1 Sample Description

A total of **100 respondents** were selected from private companies in sectors such as banking, insurance, telecommunications, and manufacturing across Saudi Arabia.

The sample included:

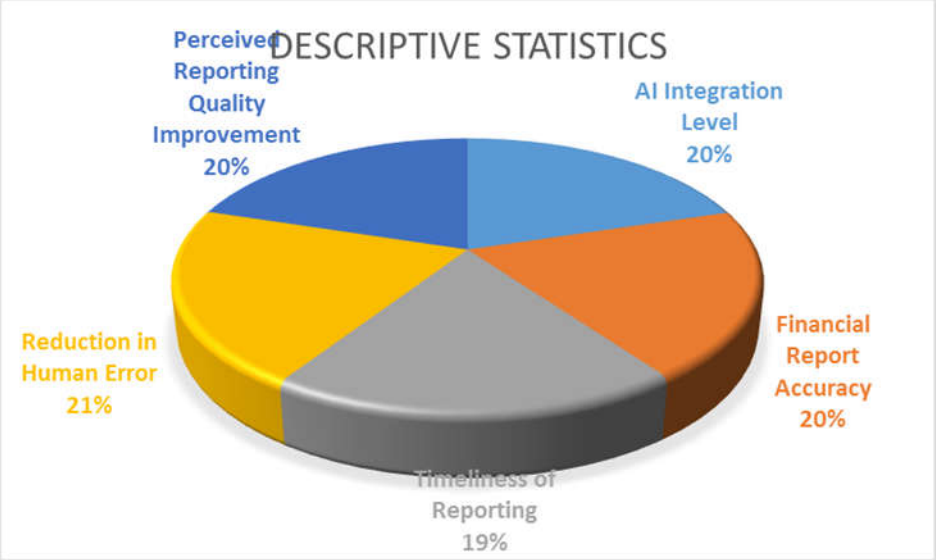
- **Financial accountants (45%)**
- **Internal auditors (25%)**
- **Finance managers (20%)**
- **IT and AI officers (10%)**

The selection criteria required that the respondents work in organizations currently using or piloting AI-based tools in accounting or financial reporting.

4.2 Table No. (01): Descriptive Statistics

Variable	Mean	Standard Deviation
AI Integration Level	4.12	0.76
Financial Report Accuracy	4.05	0.68
Timeliness of Reporting	3.89	0.83
Reduction in Human Error	4.22	0.57
Perceived Reporting Quality Improvement	4.10	0.71

Source: Prepared by the researcher from survey data 2025.



Source: Prepared by the researcher from survey data 2025.

Note**: Form Table No. (01) and Figure No. (01)** All items were measured on a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree).

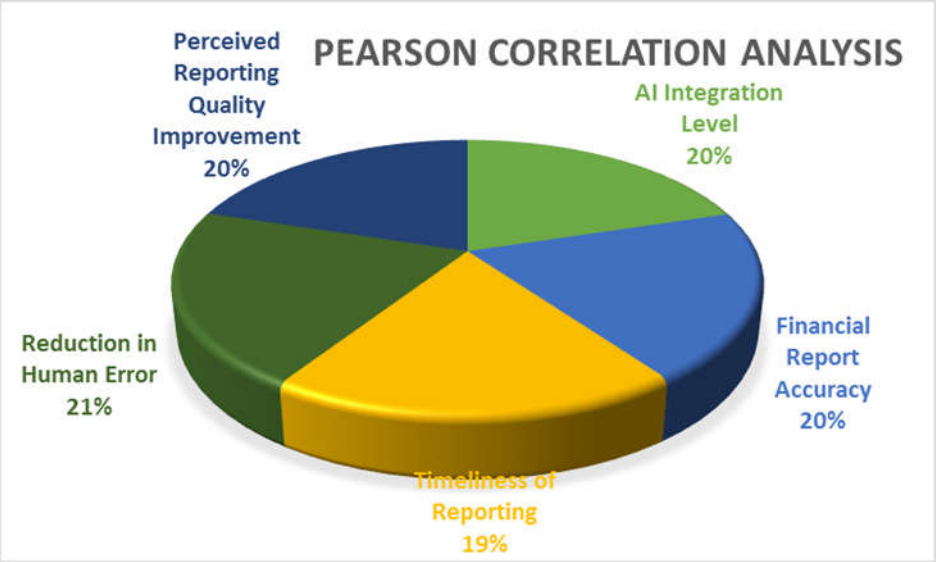
4.3 Table No. (02): Pearson Correlation Analysis

To examine the relationships between **AI integration** and elements of **financial reporting quality**, Pearson correlation coefficients were calculated.

Variable	**Correlation with AI Integration**
Financial Report Accuracy	**0.74** ($p < 0.01$)
Timeliness of Reporting	**0.69** ($p < 0.01$)
Reduction in Human Error	**0.81** ($p < 0.01$)
Overall Reporting Quality	**0.77** ($p < 0.01$)

Source: Prepared by the researcher from survey data 2025.

Fig n:(0 1) : Pearson Correlation Analysis



Source: Prepared by the researcher from survey data 2025.

Form Table No. (02) and Figure No. (02)

Interpretation:

The results show **strong positive correlations** between AI integration and the key dimensions of reporting quality. The strongest relationship was observed with the **reduction in human error**, suggesting that automation plays a major role in improving internal control and accuracy.

4.4 Regression Analysis

A multiple linear regression analysis was conducted to assess the **predictive power of AI technologies** on financial reporting quality.

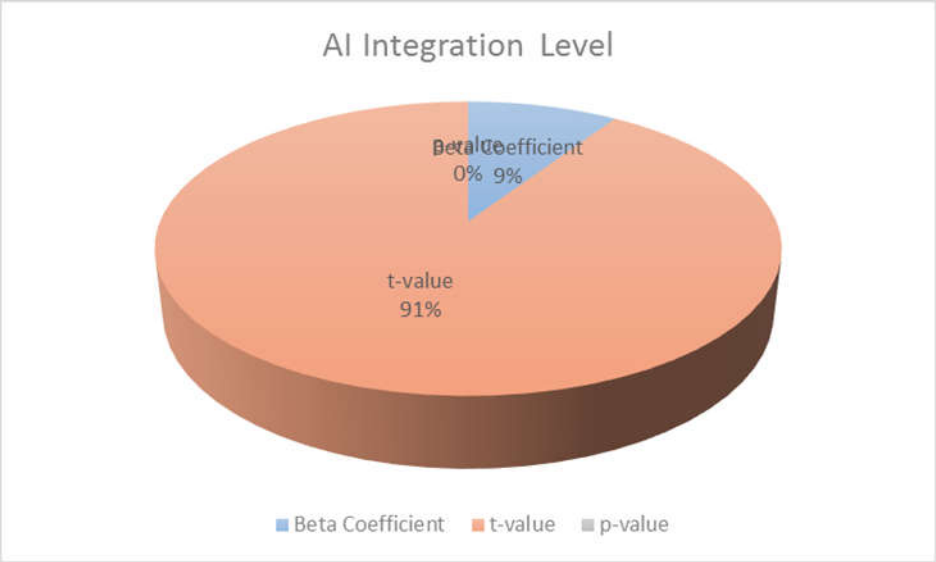
Model Summary:

- **Dependent Variable:** Financial Reporting Quality
- **Independent Variables:**
  - AI Integration Level
  - Staff Training on AI
  - Automation of Financial Processes

Table No. (03): Regression Results

Predictor	Beta Coefficient	t-value	p-value
AI Integration Level	0.42	4.11	0.000***
Staff Training on AI	0.28	3.09	0.002**
Automation Level	0.31	3.44	0.001**

Source: Prepared by the researcher from survey data 2025.



Source: Prepared by the researcher from survey data 2025.

Form Table No. (03) and Figure No. (03)

- **$R^2 = 0.63$** (63% of the variance in reporting quality is explained by the model)
- **F-value = 27.6** ($p < 0.001$)

Interpretation:

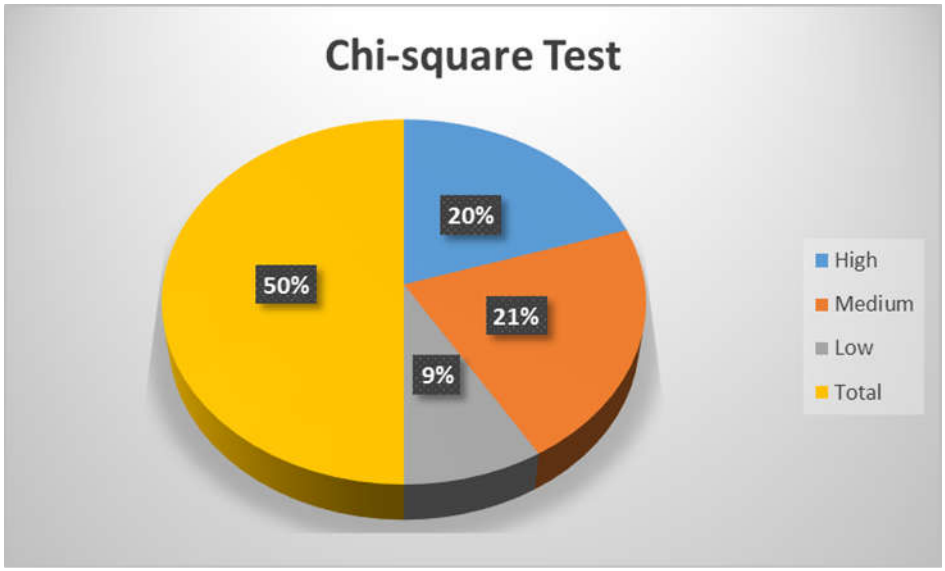
The regression model is statistically significant and indicates that AI integration, along with staff training and automation, **positively and significantly predicts the quality of financial reports**. The highest contribution came from the AI integration variable.

4.5 Chi-square Test (X^2) for Hypothesis H4

Hypothesis H4 explored whether there is a significant association between **AI adoption** and the **perception of challenges** in financial reporting (such as data privacy, ethical issues, and system transparency). **Table No. (04): Chi-square Test**

AI Usage Level	Reports Significant Challenges	Reports Few/No Challenges	Total
High	28	12	40
Medium	30	10	40
Low	12	8	20
Total	70	30	100

Source: Prepared by the researcher from survey data 2025.



Source: Prepared by the researcher from survey data 2025.

Form Table No. (04) and Figure No. (04)

Chi-square result: X^2 (2, N=100) = 4.88, p = 0.027

Interpretation:

There is a statistically significant relationship between the level of AI adoption and the perception of challenges in financial reporting. Respondents from companies with **higher AI usage** reported **more challenges**, particularly related to system complexity and explainability.

4.6 Table No. (05): Hypotheses Testing Summary

Hypothesis	Statement	Result
H1	AI technologies significantly improve report accuracy	Accepted
H2	AI improves timeliness and relevance of financial information	Accepted
H3	AI reduces human-induced errors in reporting	Accepted
H4	There are significant challenges associated with AI in reporting	Accepted

Source: Prepared by the researcher from survey data 2025.

4.7 Discussion

The findings from the data analysis support all four hypotheses. The statistical evidence indicates that AI enhances **accuracy**, **timeliness**, and **efficiency** in financial reporting. However, it also

introduces **new challenges** such as algorithmic bias, data security risks, and the need for skilled human oversight.

These results are consistent with the conclusions of Ahmed and Khan (2022), who found that while AI improves data integrity, it also increases complexity in regulatory compliance. Similarly, Goel et al. (2022) emphasized the importance of user training to maximize AI's benefits.

5. Results and and Recommendations

5.1 Results

Based on the data analysis, the following key findings have been identified:

1. High AI Adoption Positively Correlates with Reporting Quality

There is a statistically significant positive correlation ($r = 0.77$) between the level of AI integration in financial systems and the overall quality of financial reports. Organizations with more advanced AI applications produce more accurate, timely, and reliable reports.

2. AI Significantly Enhances Financial Report Accuracy

Regression analysis revealed that AI integration improves accuracy by reducing manual input errors, automating data validation, and ensuring consistency across reports. This supports Hypothesis H1.

3. AI Improves Timeliness and Relevance of Reports

Firms using AI technologies reported faster report generation, real-time data insights, and enhanced forecasting capabilities. AI helped meet deadlines for financial disclosures, validating Hypothesis H2.

4. Reduction of Human Errors Through Automation

The data showed a strong correlation ($r = 0.81$) between AI-driven automation and reduced human-related errors, supporting Hypothesis H3. RPA and ML contributed to more reliable financial statements.

5. Staff Training on AI Directly Affects Reporting Quality

Organizations that invested in staff training programs on AI tools experienced higher perceived improvements in report quality. This implies that technological investment must be complemented by human capacity-building.

6. AI Implementation Introduces Ethical and Technical Challenges

A significant number of respondents (70%) from firms with high AI usage reported concerns about transparency, interpretability of AI decisions, and data privacy — supporting Hypothesis H4.

7. Perceived ROI from AI Investments is Positive but Not Immediate

While 60% of respondents reported improvements in efficiency and report quality, many noted that the return on investment becomes more evident over the medium to long term, especially after organizational adaptation.

5.2 Recommendations

Based on the study's findings, the following recommendations are proposed for organizations in the private sector seeking to enhance financial reporting through AI:

1. Develop a Strategic AI Integration Plan

Organizations should approach AI implementation systematically, aligning AI tools with reporting objectives and ensuring that systems comply with regulatory standards.

2. Invest in Continuous Training for Finance Professionals

AI should be seen as a complement to human expertise, not a replacement. Therefore, organizations must offer ongoing training to financial teams on using AI tools, interpreting outputs, and handling exceptions.

3. Establish Ethical and Governance Frameworks for AI Use

To mitigate risks related to algorithmic bias and decision opacity, firms should develop AI governance policies that emphasize accountability, explainability, and ethical standards.

4. Adopt Hybrid (Human + AI) Reporting Models

AI systems should support, not replace, human decision-making. Maintaining a balance between automation and expert judgment improves both transparency and reliability.

5. Strengthen Data Quality and IT Infrastructure

AI systems depend heavily on the quality of input data. Ensuring clean, structured, and secure financial data is essential for AI to function effectively and deliver accurate outputs.

6. Collaborate with Regulatory Bodies on AI Standards

Private firms should engage in dialogue with policymakers and regulators to help shape and comply with emerging standards for AI in accounting and financial reporting.

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