



AI and Blockchain Integration in Accounting

 Vishnu Kumar Mahawar^{1*}

¹Research Scholar, Department of Accountancy and Business Statistics, Mohanlal Sukhadia University, Udaipur, India.

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*Corresponding Author: vishsarsunia@gmail.com

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Abstract

Integrating Artificial Intelligence (AI) and blockchain technology is revolutionising the accounting industry, offering new ways to enhance efficiency, accuracy, and transparency. This research explores the synergies between these technologies, emphasising their transformative potential to automate complex accounting processes, ensure data integrity, and foster trust among stakeholders. By analysing current trends, challenges, and their future implications, this paper provides insights into how AI and blockchain can redefine accounting practices.

Keywords: *Artificial Intelligence (AI), Blockchain, Efficiency, Financial, Ecosystem.*



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1. Introduction

The accounting profession is undergoing a significant transformation driven by technological advancements. Accounting systems are increasingly integrating AI and blockchain, two disruptive technologies, to address inefficiencies and enhance decision-making capabilities. AI facilitates automation and predictive analysis, while blockchain ensures secure, immutable, and transparent transaction records. This paper examines the convergence of these technologies and their implications for the accounting field. AI and blockchain integration are not merely a technological upgrade; they represent a paradigm shift. This convergence enables the automation of repetitive tasks such as ledger entries and reconciliations while simultaneously enhancing

trust and accountability through tamper-proof records ([Guergov & Radwan, 2021](#)). Additionally, it holds immense potential in fraud detection, real-time auditing, and regulatory compliance, offering a level of precision and reliability unattainable with conventional methods ([Kumar, Lim, Sivarajah, & Kaur, 2023](#)).

As businesses operate in an increasingly complex and data-driven environment, the need for innovative solutions in accounting has never been more pressing. This paper explores the transformative potential of integrating AI and blockchain technologies in accounting, highlighting their applications, benefits, and challenges. By leveraging these technologies, the accounting domain stands at the cusp of

unprecedented innovation, ready to meet the demands of the modern financial ecosystem.

The field of accounting, traditionally reliant on meticulous human effort and standard processes, is experiencing a revolutionary transformation with the emergence of cutting-edge technologies like Artificial Intelligence (AI) and Blockchain. These technologies are disrupting conventional accounting systems and redefining the core principles of efficiency, transparency, and security in financial management. The integration of AI and blockchain represents a significant leap forward, offering unprecedented opportunities to automate processes, enhance data integrity, and enable real-time financial decision-making.

AI, with its capabilities in machine learning, natural language processing, and predictive analytics, is empowering accountants to move beyond routine tasks such as data entry and reconciliations. It facilitates intelligent insights by analysing large volumes of data, detecting anomalies, and forecasting financial trends. Blockchain, on the other hand, acts as a decentralised ledger that guarantees immutability, traceability, and security of transactions. Together, these technologies address long-standing issues such as human error, fraud, and the inefficiencies of manual auditing processes.

The synergy between AI and blockchain extends beyond automation and data security. It enables the creation of smart contracts that execute financial agreements automatically upon meeting predefined conditions, significantly reducing the time and cost of contract enforcement. Additionally, this combination helps ensure that rules and regulations are followed by giving auditors and regulators immediate access to clear and unchangeable records.

As the global financial landscape becomes increasingly complex and interconnected, the adoption of AI and blockchain in accounting is not just an innovation but a necessity. This integration promises to transform how organisations manage financial data, conduct audits, and maintain regulatory compliance. However, this technological shift also brings challenges such as implementation costs, skill gaps, and concerns about data privacy. Exploring these dimensions, this paper delves into the transformative impact of AI and blockchain integration in accounting, emphasising their applications, benefits, and the

future potential of this convergence in reshaping the financial ecosystem.

2. Literature Review

2.1 Artificial Intelligence in Accounting

AI has been widely adopted in accounting for tasks such as data analysis, fraud detection, and predictive financial modelling (Hasan, 2021). Machine learning algorithms and natural language processing enable accountants to process large volumes of data with minimal human intervention, thus reducing errors and increasing efficiency (Bose, Dey, & Bhattacharjee, 2023).

2.2 Blockchain Technology in Accounting

Blockchain's decentralised ledger technology provides an immutable record of transactions, ensuring transparency and accountability (Schmitz & Leoni, 2019). Its application in accounting includes real-time auditing, secure financial reporting, and fraud prevention.

2.3 Integration of AI and Blockchain

The integration of AI and blockchain creates a synergistic effect. AI's ability to analyse data complements blockchain's security features, enabling intelligent and secure decision-making (Guergov & Radwan, 2021). For instance, AI can enhance the validation process in blockchain networks by identifying anomalies and optimising consensus mechanisms.

3. Data Integrity and Transparency

Blockchain's immutability and tamper-proof nature have been emphasised in numerous studies. Yermack (2017) notes that blockchain ensures the integrity of accounting records, making them resistant to manipulation or unauthorized changes. When combined with AI, as highlighted by Schmitz & Leoni (2019), it enhances transparency by enabling intelligent validation and anomaly detection within transactional data. This synergy is particularly useful in building stakeholder trust through real-time, verifiable financial reports.

4. Fraud Detection

One of the primary benefits of integrating AI and blockchain in accounting is fraud detection and prevention. AI algorithms, capable of identifying patterns and anomalies in large

datasets, are highly effective when deployed alongside blockchain's secure and traceable transaction records. [Kokina et al. \(2020\)](#) found that this combination significantly reduces fraudulent activities in areas like invoicing and payroll, where traditional systems are more vulnerable to exploitation.

5. Regulatory Compliance

Research has also explored the role of AI and blockchain in ensuring compliance with complex regulatory frameworks. [Rauchs et al. \(2018\)](#) argue that blockchain's ability to maintain immutable records simplifies compliance by ensuring accurate reporting and documentation. AI enhances the process by automating compliance checks, generating alerts for potential violations, and adapting to evolving regulatory requirements.

6. Methodology

This research employs a qualitative approach, reviewing existing literature, case studies, and industry reports. Interviews with accounting professionals and technology experts were conducted to gain practical insights into the integration of AI and blockchain in accounting practices.

7. Applications of AI in Accounting

Artificial intelligence (AI) is becoming more and more widely accepted as a disruptive technology within the accounting profession. Artificial intelligence (AI) is revolutionising the handling, analysis, and reporting of financial information. The use of machine learning and optical character recognition (OCR) technologies in data input and automated accounting has reduced the amount of human interaction required to collect and categorise transactions, resulting in increased efficiency and fewer mistakes ([Issa, Sun, & Vasarhelyi, 2016](#)).

Artificial intelligence (AI) is an additional factor that helps with the management of risk and the discovery of fraudulent activity. It does this by recognising abnormalities and unusual patterns in financial data, which provides auditors with more advanced tools for constant monitoring and the early detection of fraud ([Kokina & Davenport, 2017](#)). Furthermore, predictive analytics, which is driven by artificial intelligence (AI), makes it possible to more accurately estimate revenues,

costs, and cash flows, which assists managers in making strategic decisions and allocating resources ([Li, Dai, Gershberg, & Vasarhelyi, 2018](#)).

In a similar fashion, the use of artificial intelligence (AI) in auditing allows for compliance with accounting standards such as IFRS and GAAP, as well as real-time assurance. The result reduces the amount of time it takes to complete an audit cycle and improves the trustworthiness of financial statements ([Appelbaum, Kogan, & Vasarhelyi, 2017](#)).

Tax preparation and optimisation is another noteworthy domain in which artificial intelligence (AI) algorithms are capable of automatically updating tax laws as they change, identifying deductions, and improving compliance, which results in a reduction in the number of mistakes that people make when it comes to reporting taxes ([Moll & Yigitbasioglu, 2019](#)).

In addition, natural language processing (NLP) improves the interpretability of financial reports by producing automated narratives and making it easier to communicate complicated financial information to stakeholders who do not have expertise in the field ([Duan, Edwards, & Dwivedi, 2019](#)).

Accountants are able to concentrate their efforts on providing strategic advice rather than dealing with transactional obligations due to the fact that artificial intelligence (AI) makes it possible to streamline repetitive processes like payroll processing, invoice management, and expense reporting. This results in an increase in the value that accountants provide to firms ([Rozario & Thomas, 2019](#)).

In general, the integration of artificial intelligence (AI) into the field of accounting constitutes a fundamental change in the way that decisions are made, moving away from conventional manual procedures and towards data-driven decision-making processes. This change establishes AI not just as a tool for improving operational efficiency but also as a catalyst for strategic transformation in the accounting profession as a whole.

8. Key Applications of AI and Blockchain Integration

- **Automation of Routine Tasks:** AI algorithms can automate repetitive tasks such as bookkeeping and reconciliation,

while blockchain ensures that transactions are accurately recorded and verified.

- **Real-Time Auditing:** Blockchain's transparent ledger enables real-time auditing, reducing the need for periodic audits. AI can further enhance this process by identifying discrepancies and anomalies in the data.
- **Fraud Detection and Prevention:** AI can analyse patterns and predict fraudulent activities, while blockchain provides a tamper-proof system to track and verify transactions.
- **Enhanced Decision-Making:** The integration of AI with blockchain can provide accountants with actionable insights by combining real-time data analysis with secure and reliable information.
- **Intelligent Threat Detection:** AI algorithms can monitor blockchain networks for unusual patterns or anomalies that may indicate cyberattacks, such as double-spending or unauthorised access.
- **Predictive Analytics:** AI can predict potential vulnerabilities by analysing historical data and improving the resilience of blockchain systems.
- **Scalability Solutions:** AI can help manage large datasets in blockchains, enabling faster data retrieval, processing, and

validation in high-transaction environments.

- **Automated Contract Management:** AI can enhance smart contracts by automating their creation, monitoring, and execution based on predefined conditions.
- **Anonymity Analysis:** AI can ensure user privacy by identifying vulnerabilities in anonymised blockchain data and enhancing protective measures.
- **Pattern Recognition:** AI can analyse blockchain data to identify trends, optimise processes, and provide actionable insights.
- **Behavioural Analysis:** AI-powered behavioural models can predict fraudulent behaviour based on patterns in transaction history.
- **Secure Multi-Party Computation (MPC):** AI algorithms can enhance cryptographic methods, ensuring that private data is used and shared securely without compromising confidentiality.
- **Cryptocurrency Price Predictions:** AI can analyse blockchain data and external market factors to predict cryptocurrency price movements and market trends.
- **Cross-Chain Communication:** AI can simplify the process of connecting and interoperating different blockchain networks by developing intelligent communication protocols and ensuring seamless data transfer.

6. Selected Applications Based on AI Technologies

Challenges	Applications	Blockchain Use	AI Use
Automated Auditing Systems	EY Blockchain Analyser	Provides a secure, immutable ledger of all financial transactions.	Analyses data in real-time to detect anomalies, flag inconsistencies, and predict potential errors or fraud.
Fraud Detection and Prevention	SAS Fraud Management	Ensures transparency and traceability of transactions, reducing the likelihood of fraudulent activity.	Employs machine learning algorithms to detect patterns indicative of fraud and flag suspicious activities.
Real-Time Financial Reporting	SAP's Blockchain and AI-based systems	Ensures real-time recording and accessibility of financial transactions.	Automates report generation and provides predictive insights based on historical data.
Smart Contracts for Compliance and Automation	OpenLaw	Enables the creation of self-executing smart contracts that enforce terms automatically.	Improves the decision-making capabilities of smart contracts by analysing context and adapting to changing

			conditions.
Expense and Invoice Management	Tradeshift	Records expense and invoice transactions securely, ensuring immutability.	Automates invoice matching, categorisation, and payment processing while detecting errors or overpayments.
Supply Chain and Inventory Accounting	IBM Blockchain with AI Solutions	Tracks goods and transactions across the supply chain for transparent inventory management.	Predicts inventory needs, optimises supply chain efficiency, and evaluates costs in real-time.
Tax Compliance and Regulation	TurboTax	Stores tamper-proof tax records and tracks transactions for compliance.	Automates tax calculations, identifies tax-saving opportunities, and ensures adherence to regulations.
Payroll and Employee Benefits Management	Bitwage	Ensures secure, transparent, and verifiable payroll records.	Automates payroll calculations, including taxes and deductions, and predicts future payroll trends.
Budgeting and Forecasting	Anaplan	Stores historical financial data securely for reference.	Provides advanced forecasting models based on historical data trends and external factors.
Real-Time Auditing for Cryptocurrency Transactions	Chainalysis	Tracks cryptocurrency transactions in a transparent and immutable way.	Analyses cryptocurrency transaction data to detect anomalies and ensure compliance with regulations.

9. Challenges and Limitations

Although it is generally acknowledged that the combination of blockchain technology and artificial intelligence (AI) in accounting is a revolutionary advancement, there are some serious obstacles and restrictions.

Data security and privacy rank among the top issues. Although blockchain provides transparency and immutability, handling sensitive or private financial data may be risky due to the fact that each transaction is permanently documented on a distributed ledger. Similar to this, AI systems depend on enormous volumes of data for training and decision-making, which presents problems with accuracy, ethical data use, and the potential for biased results.

The complexity and interoperability of technology present yet another significant obstacle. It takes a significant investment in infrastructure, specialised software, and technical know-how to implement AI and blockchain successfully. Because they might not have the financial or human resources to fully implement such sophisticated systems, small and medium-

sized businesses find integration especially challenging.

Another constraint is regulatory uncertainty. Since blockchain technology and artificial intelligence are still in their infancy in the accounting field, there are currently no well-defined rules or international standards for their application. Organisations find it challenging to maintain compliance across jurisdictions due to this lack of regulation, which also raises questions about auditability and accountability.

Adoption is made more difficult by pragmatic concerns like cost and scalability. While AI models demand frequent updates and processing power, which raises operating costs, public blockchains frequently have limitations with regard to processing speed, transaction volume, and energy consumption. These elements cast doubt on the long-term viability and effectiveness of these technologies.

Workforce preparedness presents another difficulty. The technical expertise needed to efficiently operate, interpret, or monitor AI and blockchain systems is still lacking in many

accountants and auditors. This increases reliance on outside experts and emphasises the necessity of ongoing professional development.

Lastly, there are still open issues regarding accountability and legal liability. It is still unclear who should be held accountable—the developer, the auditor, or the company itself—if an AI algorithm generates a faulty analysis or if a blockchain-based smart contract carries out an unexpected transaction.

10. Future Implications

The integration of AI and blockchain has the potential to redefine the accounting profession. Future advancements could lead to:

- Fully automated accounting systems
- Enhanced global regulatory compliance
- New business models based on decentralized finance (DeFi)
- Greater trust and transparency in financial reporting

11. Conclusion

The convergence of AI and blockchain represents a paradigm shift in accounting, offering unprecedented opportunities to enhance efficiency, accuracy, and transparency. Despite challenges, these technologies hold the promise of transforming the industry, paving the way for a more innovative and resilient future. Stakeholders must collaborate to address technical, regulatory, and ethical issues to unlock the full potential of AI and blockchain in accounting.

Together, these technologies streamline accounting processes, reduce errors, and improve trust between stakeholders. As AI and blockchain continue to evolve, their combined impact is likely to revolutionise traditional accounting practices, paving the way for more innovative, decentralised, and automated financial systems. However, challenges such as regulatory frameworks, data privacy concerns, and the need for skilled professionals must be addressed to fully unlock their potential in the accounting sector.

Moreover, blockchain's ability to provide real-time, auditable financial data contributes to better regulatory compliance and reporting, which is particularly valuable in industries that are subject to stringent financial regulations. The transparency enabled by blockchain also fosters increased trust among clients, investors, and

auditors, strengthening the overall financial ecosystem.

Despite these advantages, organisations must also overcome several hurdles. The adoption of AI and blockchain in accounting necessitates significant investment in technology, as well as training and upskilling of accounting professionals to ensure effective implementation. Furthermore, there are concerns related to the scalability of blockchain networks and the integration of AI systems into legacy accounting frameworks, which may require substantial system overhauls.

As these technologies mature and become more widely accepted, the synergy between AI and blockchain will likely redefine the landscape of accounting, providing firms with greater efficiency, accuracy, and security. However, addressing the technical, regulatory, and ethical challenges will be key to realising their full potential and fostering a future where accounting operations are smarter, more secure, and fully automated.

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