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What next for banking technology?

The global business landscape is constantly changing. To remain relevant, and stay in business, organisations must be two steps ahead

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Successful business owners require a clear understanding of their company's financial positioning, establishing whether their security holdings and cash balances have breaks. In 2018, everyone wants to get this information quickly, correctly and cost-effectively.

In bookkeeping, a bank reconciliation statement reveals the difference on an itemised date between the bank balance shown in an organisation's bank statement, as supplied by the bank, and the equivalent amount shown in the organisation's own accounting records. While some accounting departments continue to struggle with paper-based systems - one thing is for certain - there are never enough hours in a working day, and most businesses have at least begun fitting automated processes. Early uses of reconciliation technology in the 1990's concentrated on cash and securities reconciliation methods, but technology is upping its game, adapting to the more modern challenges of data quality improvement and regulatory reporting. In recent years on-going concerns relating to budgets, manpower and maintenance have brought the sustainability and scalability of reconciliation processes and technology into the fore, and finance departments now require solutions with accomplished functionality to meet this growing complexity.

The global banking and financial industry continues to search for the next big thing that will help streamline accounting processes, with issues such as slow manual processing, multifaceted intersystem reconciliations, key person risk and rising costs, driving firms to consider next generation reconciliation technology. Depending on staff to manage reconciliations is problematic, not least because of extensive middle and back office job cuts across the financial services sector. Second guessing is not the way to run a business and further setbacks that come with manual practices include fragmented data and a lack of any tangible progress, while time-consuming reconciliations cause a major bottleneck in the financial close process. Nevertheless, a very small number of organisations (if any) could claim they are able to achieve anywhere close to 100% automation of the entire bank reconciliation process today. There is always a degree of manual intervention required and a regular review of business accounts can help identify problems before it is too late. The rapid pace of change in economic circumstance and the ongoing pressures of strict regulations mean that human controller services are still necessary to ensure that compliance requirements are met and financial controls are sound.

After a slow start, the accuracy and speed of today's artificial intelligence is improving, and while accounting tasks, tax, payroll, audits and banking are not yet fully automated, with the help of AI-based technologies, this could soon be a reality. Software allows businesses to simply import the bank statement and the reconciliation technology does the rest, sorting and matching all income and expenses, removing the manual monitoring and comparison of data between systems and applications. Advanced software search features and new processing and matching capabilities will save finance teams valuable time, money and effort. This software integrates with all major banks and ERPs to provide users with easy, stress-free, automated bank account reconciliations. Efficient bank reconciliations can help streamline processes, detailing which checks have cleared, which transactions are outstanding, which bank accounts contain what amounts and exactly where the money is.

The reconciliation software market is split into banks and enterprises, is either cloud-based or on premise and the Generally Accepted Accounting Principles (GAAP), believe double-entry accounting and account conversion are the main techniques. Businesses and individuals may reconcile their records daily, monthly or annually using these methods. A reconciled bank account is a sign of a healthy, up-to-date account and a business that knows exactly where money is going will be able to regularly check their cash flow, profitability and tax position, and can, in principle, make better informed corporate decisions. The market is witnessing strong growth due to increased investment by European banks, a rise in customer-centric banking solutions and an ever-increasing call for error-free and prompt financial calculations. The rise of online and mobile banking through tablets and smartphones is expected to create colossal opportunities for the global reconciliation software market. The complexity of this sector, combined with the strict regulatory requirements that manage it, reinforces the need for precision, speed, understanding and control. Using software eradicates reconciliation errors and reduces financial risk, streamlining your bank reconciliation process, while eliminating the frustrating and time-intensive task of doing it by hand. Pioneering accounting software by innovative accounting brands is fuelling development and has changed the manual accounting landscape and state of play for overall business growth. There is a number of large players, including Xero, Oracle Netsuite, Broadridge, AutoRek, ReconArt, SmartStream, SS&C, Adra and BlackLine to name a few, offering software that automatically complies with accountancy guidelines. Businesses no longer have to continuously update their software, but instead can pay a monthly fee that provides them with an all access pass to their data.

Xero, founded in New Zealand in 2006, is a cloud-based accounting software that enables businesses to view their cash flow, transactions and account details from any location, and it boasted 253,000 users in the UK as of Feb 2018. It offers unlimited user support and exceptional online care and integration with over 600 systems through its add-on marketplace, including Curve, Receipt Bank, and Vend. It provides three pricing levels (from £10 - £27.50 a month)that kick in after a 30-day free trial, and functionality includes billing and invoicing, quotes, and transaction reconciliations, free payroll for five employees and multiple currency support. However, Xero's accounting features are limited in certain areas. It only offers two tracking categories and the package lacks phone assistance.

Oracle Netsuite was one of the of the first enterprise resource planning (ERP) systems intended and written solely for the cloud. This software facilitates companies with numerous subsidiaries, entities and business units, allowing them to work using a single account, accommodating different currencies, taxation and governance requirements. Configuring the software for a specific role might be confusing for businesses but a huge advantage of this software is that consumers don't need to wait and purchase different versions as there is only one codebase fully controlled by the vendor. The software is only available as a subscription-based service and small and medium businesses need to contact Oracle NetSuite or its resellers to receive a quote.

Before purchasing, it is important to examine the software's features including its image, customisability, scalability and data access report usability, and how they will complement the business. Subscription fees are also a key consideration to factor in as they will be a recurring cost to the company. While it is essential to keep up with developments in accounting technology, it is also important to install checks and procedures for risk management to sustain the new technological solutions. With cloud computing companies should always back up their information in case of a glitch and with automation businesses still need to have the knowledge to manually carry out the duties if necessary. Shortcomings of any software package include the initial implementation cost and rising security concerns regarding financial and personal information, which may still inhibit the growth of this market in the future.

In an increasingly busy world, where time is treasured and solutions are required immediately, reconciliation software can help reduce risk, improve quality and save time, eliminate paper checks and improve vendor payments through automated operations. Many financial institutions are exploring utilities to ensure accuracy and cost savings, and with the volume of reconciliations only increasing, the processing of large quantities of data has become even more complex. Using accounting software to reconcile accounts will save time, and is quick, easy and affordable. An efficient, precise, and well-timed period-end close cycle sets the groundwork that can help raise business performance, promote strong corporate decisions and satisfy internal and external reporting requirements. Conquering the closing process is imperative and has become increasingly important from an audit standpoint. Reconciling, reviewing, and analysing data is fundamental to the continued success of any business, offering information to reduce expenses and eliminate lines of business that are no longer profitable.

Accounting hasn't seen much innovation in the last decade in comparison to other industries, but many banks and financial organisations are coming under increasing pressure in 2018 to modernise the financial close and reporting function, while preserving the integrity of the financial statements and close process. Business bank accounts don't receive the same protection as consumer accounts which mean businesses can't count on the bank to cover fraud or errors in corporate accounts. However, successful banks will continue to cultivate a bank-wide vision for the future, re-imagining how they will be structured and how work will get done, together with the automation competencies that exist today and those that are yet to be realised.

In the current financial climate it is crucial that businesses consider the prospect of further regulatory compliance changes when implementing new technologies, and have the processes in place to support updated systems and technological solutions. Reconciliation software is finally having its moment in the spotlight and interest and development in accounting technology will continue to rise throughout 2018 and beyond.