
Modernizing Statutory Reporting for Banks: A Data-Driven Approach

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Abstract

In today's financial environment, there is an increasing demand for enhanced transparency and integrated reporting from stakeholders. This article explores the need for financial modernization in banks, the challenges associated with statutory reporting, and how a data-driven approach can transform this function, addressing the unique challenges within the banking sector. It highlights the main issues that hinder effective statutory reporting, proposes potential solutions, and outlines the benefits of implementing modern financial systems. Furthermore, a case study demonstrating the successful adoption of these solutions is presented, concluding with the long-term implications for the banking industry.

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1. Introduction

The financial sector is undergoing rapid changes, driven by the necessity for transparency and comprehensive reporting. The COVID-19 pandemic has accelerated the need to modernize statutory reporting in banks. Stakeholders now expect detailed narratives in financial reports, which include insights into customer profiles, market trends, and organizational strategies. This shift requires a robust system capable of providing detailed notes on account information, including liquidity profiles, geographical risk locations, industry classification, and risk migration across account stages. A 2024 Deloitte survey found that 78% of banking executives believe enhancing transparency is crucial for building stakeholder trust. (Deloitte, 2024)

2. Definition of Statutory Reporting

Statutory reporting involves the obligatory submission of financial information to regulatory authorities as per legal requirements. These reports include financial statements like balance sheets, income statements, and cash flow statements, prepared in compliance with government standards to ensure transparency and accountability.

Importance of Statutory Reporting

1. **Regulatory Compliance:** Ensures organizations adhere to legal requirements, avoiding penalties and preserving their reputation.
2. **Transparency and Accountability:** Promotes openness in financial activities, building stakeholder trust.
3. **Informed Decision-Making:** Provides essential information for management and investors to make well-informed decisions.
4. **Investor Confidence:** Enhances trust among investors by demonstrating financial stability and sound management.
5. **Benchmarking and Performance Evaluation:** Allows organizations to compare their performance against industry standards and competitors.
6. **Legal Protection:** Minimizes legal risks by ensuring compliance with laws and regulations.
7. **Stakeholder Communication:** Keeps stakeholders informed about the organization's financial status, fostering trust and openness.

Statutory reporting is crucial for legal compliance, transparency, and informed decision-making, ultimately supporting an organization's financial health and credibility.

3. Challenges in Statutory Reporting for Banks

Finance departments in banks encounter numerous challenges in statutory reporting, particularly in sourcing supplementary data. Common issues include:

- **Manual Data Collection:** Reliance on spreadsheets and manual data collection increases end-user computing risks.
- **Departmental Silos:** Involvement of multiple departments without a single source of truth complicates data granularity and reconciliation.
- **Lack of Automation:** Dependence on disparate source systems makes statutory reporting time-intensive and prone to errors.
- **Lack of Integrated Data Models:** Many banks lack clear definitions and distinctions between finance and enterprise data.

A PwC report highlighted that 67% of banking executives cite data quality and integration as significant hurdles in their reporting processes (PwC).

4. Addressing Core Challenges through Finance Modernization

Many of these challenges stem from legacy applications and manual processes. Therefore, modernizing finance systems is critical for accurate and timely reporting. Finance departments in banks today face the increasing burden of generating more reports and insights faster while managing legacy systems and manual processes. Modern finance solutions such as Cloud Enterprise Resource Planning (ERP) and Enterprise Performance Management (EPM) provide comprehensive finance analytics and reporting solutions, streamlining operations across finance departments. Designing the right modern finance solution architecture is crucial, integrating risk and finance information. Key features include:

- **Data Foundation Layer:** Holds granular transactional information for accounting and standardizing, cleansing, and aggregating data for downstream ERP. It should accelerate data lake efforts with a pre-built data model.
- **Accounting Rules Engine:** Reads aggregated transactions, applies accounting rules, and provisions debits and credits to the general ledger.
- **Unified Results Area:** Supports detailed notes to accounts for statutory reporting and other regulatory and management reporting use cases.
- **Performance Management Suite:** Uses the trial balance from the general ledger for group consolidation and reporting.

This integrated design supports finance modernization needs (thin chart of accounts for faster financial close) and detailed management reporting (thick GL design). It ensures complete data lineage from top-level GL balances to granular transaction details, enhancing transparency, traceability, and reducing audit costs. Finance modernization future-proofs compliance and increases stakeholder and regulator confidence, enabling finance departments to focus on strategic value ([Deloitte](#)).

5. The Impact of Finance Modernization on Statutory Reporting

1. Streamlined Close and General Ledger Processes

Outdated manual processes struggle with increasing transaction volumes, delaying the close cycle and inhibiting decision-making. Modern finance solutions optimize close and general ledger processes, shortening the close period. A centralized accounting engine creates a single source of proven data, driving better decisions. Automated regulatory reporting processes reconciled to the ledger enhance traceability and simplify reconciliations of ledger balances to core banking data.

2. Aligned Management Reporting and Real-Time Actionable Insights

In times of economic uncertainty, decision-makers in banks require real-time actionable insights to plan effectively. Modern finance solutions facilitate confident planning and forecasting through advanced automation, powering connected, predictive, and continuous planning across the enterprise. This unified ecosystem ensures consistency of results, delivering accurate margin forecasts and comprehensive, meaningful budgets. Dynamic scenario modeling allows organizations to keep pace with fast-changing business requirements, enabling long-range forecast models, "what if" modeling, corporate finance, and treasury initiatives. By aligning business strategy and reducing financial risk, modern finance solutions deliver real-time actionable insights.

3. Leading Architecture for Performance Management and Narrative Reporting

Leading architecture in performance management and Narrative Reporting has proven effective in numerous financial institutions globally. It offers a robust, process-driven platform for defining, authoring, reviewing, and publishing financial management reports for external stakeholders. Key features include:

- Combining financial data with narratives.
- Providing a collaborative platform for multiple departments to work together on external stakeholder reporting.
- Offering supplementary data management capabilities essential for detailed statutory reporting.

The success of such architecture hinges on sourcing reliable upstream information across customer data, addressing significant challenges in data sourcing for supplementary statutory reporting.

4. **Effective Profitability Management for Banks**

In today's volatile economy, effective profitability management is multi-dimensional. Modern finance solutions provide the granular detail needed to calculate profitability and adjust for inherent risks. Key features include:

- **Granular Cost Allocation and Profit Analysis:** Conduct analysis by product, channel, segment, and individual customer account level.
- **Unified Data Framework:** Unlocks previously unavailable insights, identifying hidden drivers of profit and cost and uncovering revenue leakage from underperforming products or underserved sub-segments.
- **Efficiency and Speed:** Reduces the time spent manipulating data each reporting period with access to over 500 pre-built reports and dashboards designed by financial services professionals.
- **Comprehensive Business View:** Provides a 360-degree view of your business to help unlock true profitability.

5. **Agile and Efficient Financial Reporting**

Modern finance solutions support high transaction volumes while delivering unmatched processing speed. They allow finance departments to quickly adapt centralized accounting rules as policies and standards evolve. The central infrastructure significantly offloads the burden on the chart of accounts, keeping it lean and efficient for financial reporting.

6. **Enhanced Accuracy and Timeliness**

Accurate and timely reports are essential for maintaining stakeholder and regulator confidence. Modern finance solutions connect regulatory, statutory, and management reports into a single reconciled data set, enhancing both accuracy and timeliness. This integration provides decision-makers with access to the necessary data to form optimal strategies, enabling extensive analysis on drivers, trends, and result attribution across all business lines and aggregation levels. Comprehensive data governance covers cell-level control and traceability from source to report, ensuring faster closes, confident regulatory filings, and timely management reporting. Platform-wide access rights, audit trails, and histories further support compliance and increase stakeholder confidence (McKinsey).

6. Case Study

A bank required over 30 dimensions for statutory reporting, which were not fully covered by their ERP. Modern finance solutions comprehensively covered these requirements, holding detailed information across geographical risk locations, line of business, account-level information, and more. This integration ensured reliable, reconciled data for statutory reporting, reducing the reliance on manual processes and enhancing stakeholder confidence.

7. Conclusion

Modern finance solutions streamline statutory reporting processes for banks, offering numerous benefits:

- **Reduced costs and faster statutory report preparation:** Pre-built, curated data model for finance and Integrated ERP and finance flows helps reduce the costs, expedite the close cycle and enable analysts to generate reports faster
- **Accurate and timely reporting:** Single reconciled data source, ensuring reliable supplementary data reporting.
- **Automation and machine learning:** Replacing manual data collection and reconciliation, ensuring standardized and unified data with drill-down functionality from anywhere in the system.
- **Enhanced productivity:** Freeing teams from manual tasks, enabling them to focus on creating strategic, actionable insights.
- **Comprehensive tools:** Facilitating extensive analysis to uncover revenue leakage and gain deeper insights previously unavailable.
- **Optimized processes:** Reducing the average close period, with improved cost allocation and profit analysis revealing hidden profit and cost drivers.

The right finance modernization solution not only meets current statutory reporting demands but also prepares banks for future regulatory and stakeholder requirements.

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