

Chapter 13

Metaverse and Financial Inclusion Opportunities and Risks for the Banking Ecosystem

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ABSTRACT

This chapter examines the potential of metaverse technology to transform the banking industry and promote financial inclusion. It provides an overview of the historical development of metaverse and its potential impact on the banking industry while identifying key opportunities to improve access to financial services, financial education, and customer engagement, as well as potential risks such as exacerbating inequalities and privacy concerns. The chapter also considers the ethical and societal implications of metaverse technology, emphasizing the importance of corporate social responsibility and stakeholder theory for responsible implementation. In conclusion, this chapter offers a comprehensive analysis of the opportunities and risks of metaverse technology for financial inclusion in the banking industry and highlights the need for responsible development and governance as well as stakeholder participation.

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INTRODUCTION

The concept of the “metaverse” has gained significant attention in recent years as an emerging technology that has the potential to transform various aspects of our lives. The metaverse refers to a virtual world or universe that is created by the convergence of physical and virtual realities, where people can interact with each other and digital objects in real-time (Stephenson, 2022). The metaverse is a convergence of technologies such as virtual reality, augmented reality, blockchain, and artificial intelligence (AI) (Huynh-The et al., 2022) and it offers limitless possibilities for creating immersive experiences that blur the lines between the physical and virtual worlds.

In the banking industry, the metaverse has the potential to significantly impact how financial services are delivered and experienced. This could have both positive and negative implications for financial inclusion, which refers to the ability of individuals and communities to access and use financial services that meet their needs (Demirgüç-Kunt, n.d.). Financial inclusion is important for society as it enables individuals to participate in economic activities, build assets, and manage financial risks. However, achieving financial inclusion is not without challenges. Factors such as geography, income, gender, and technology all play a role in determining one’s ability to access and use financial services (Demirguc-Kunt & Klapper, 2012).

Against this backdrop, the authors seek to explore the opportunities and risks of the metaverse for financial inclusion in the banking industry. The article will begin by providing an overview of the concept of the metaverse and its historical development. The banking ecosystem and its relationship with financial inclusion will then be examined to better understand the context in which metaverse technology is being introduced and its potential impact.

Next, the article will explore the opportunities of metaverse technology for promoting financial inclusion. The authors will examine how metaverse technology can improve access to financial services through virtual platforms, foster financial education and literacy through immersive experiences, and enhance customer engagement and loyalty through personalized virtual experiences. Specific examples of how metaverse technology is already being used in the banking industry to promote financial inclusion will be provided.

However, the authors will also acknowledge the risks of metaverse technology for exacerbating existing inequalities. Potential privacy and security concerns in a virtual environment, the lack of regulatory frameworks and governance structures, and the potential for metaverse technology to reinforce biases and discrimination will be examined.

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