


Chapter 12

The Impact of Artificial Intelligence on Financial Inclusion

Aman Chadha

Indian Institute of Information Technology, Allahabad, India

Akriti Gupta

 <https://orcid.org/0000-0003-3513-5485>

Indian Institute of Information Technology, Allahabad, India

ABSTRACT

Developing countries like India face very critical issues like illiteracy, poverty, financial inclusion, etc. in the path of development, and when the world is moving a step ahead towards sustainable development, these issues become a huge problem. One such big issue is financial inclusion, and eradicating such a problem needs a cohesive model that acts in synchronization with the underlying variables. Association of artificial intelligence and financial inclusion is an influential and effective strategy. However, neither of these elements can act alone, and there are several significant factors including CSR. Education and microfinance institutions will deepen and accelerate the influence of artificial intelligence on financial inclusion. These factors have individually been working to uplift society, but in synchronization, the impact is manifold. Therefore, the chapter proposes a coherent, sustainable, and effective model to address the problem of financial inclusion especially interacting with artificial intelligence.

INTRODUCTION

India is positioned as the fifth largest economy globally, with a gross domestic product (GDP) of 3,750 billion USD, accompanied by a substantial population of 1.425 billion individuals (Financial inclusion data, n.d). Currently, the competition is around achieving the status of being the foremost. Indian policymakers are currently formulating a range of policies and methods to attain this objective. However, the realization of these goals is contingent upon addressing the needs of the 1.05 billion individuals that resides at the Bottom of the Pyramid (BoP) (Ravikaumar et al., 2021; Prahalad, 2005). The policies and initiatives should be designed to facilitate the socio-economic advancement of the significant 73% of the

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Indian people. One method that has been adopted is “Financial Inclusion (FI)” (Ozili, 2019). The efforts undertaken by India to foster financial inclusion are in accordance with various Sustainable Development Goals (SDGs) established by the United Nations (Kara et al., 2021). These objectives offer a complete structure to attain sustainable development on a global scale. In order to establish coherence between India's actions and the pertinent SDGs, it is imperative to align them. Where, *SDG 1* talks to eradicate poverty as India's efforts seek to alleviate poverty and promote financial empowerment and access to economic possibilities by offering financial services to low-income groups and underserved areas (Emara & Mohieldin, 2020; Pandey et al., 2022). *SDG 8*, which focuses on Decent Work and Economic Growth, asserts that the advancement of FI plays a pivotal role to foster economic growth. This is achieved by facilitating the integration of a larger number of individuals into the formal economy, hence creating a conducive environment for the expansion of work possibilities and the encouragement of entrepreneurship (Pandey et al., 2022; Kara et al., 2021). *SDG 10*, focuses on the objective of reducing inequalities. India's initiatives are intended to reduce inequities by providing equitable access to financial services to low-income people and underserved areas, so encouraging inclusion and shrinking the socioeconomic divide (Singh et al., 2022; Pandey et al., 2022). *SDG 16*, also known as Sustainable Development Goal 16, concentrates on the promotion of peace, justice, and the establishment of strong institutions. The facilitation of digital payment methods and the promotion of transparency in financial transactions have a positive impact on the effectiveness and trustworthiness of financial systems. Hence fostering robust institutions and a culture of responsibility (Mpofu, 2022). *SDG 17*, titled “Partnerships for the Goals,” underscores India's proactive efforts to advocate for inclusion on international platforms, includes the G20 Summit. This serves as a notable demonstration of the significance of global collaborations in collectively attaining these SDGs (Kuada, 2019). UN has provided 17 SDGs in Agenda 2030, and FI can help achieve directly 5 SDGs been shown in figure 1.

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