

# Chapter 6

## Exploring AI's Impact on Fintech and Financial Inclusion: Challenges and Opportunities

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### **ABSTRACT**

*This paper investigates how fintech and AI are interacting, especially in terms of improving financial inclusion. Examining elements such as effort expectancy, performance expectancy, social influence, digital literacy, digital transformation sentiment analysis, behavioral intention, and perceived risk, it explores the intricate relationship between AI, Fintech, and inclusivity. We examine the impact of these factors on adoption intentions and perceived risk using a combination of approaches, including surveys and interviews. The study employs statistical techniques such as sentiment analysis algorithms and regression analysis on a broad sample size of 212 people. The results highlight the importance of elements like social influence and effort expectation, underscoring the need for customized interventions to successfully promote adoption.*

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## 1.INTRODUCTION:

The financial inclusion rate is quite high in India today; approximately 80% of the population now have accounts with banks. As a result, the GoI relies heavily on the growth of fintech enterprises in order to assist the underbanked population gain access to financial services. Financial inclusion must be advanced even more to sustain fintech firms and accurately reach out to these people (Asif et al., 2023). This paper also provides an account of the massive and revolutionary change in the banking and financial sectors in the twenty-first century due to technology. Convenience banking and other functional banking services enhance people's ability to obtain banking services and increase the number of low-income consumers. Here are some of the opportunities that can be found at the intersection of technology and finance; AI and ML. However, this convergence is not without other risks, and thus, there is a need for supervision. Kling and Tian (2021). For all the citizens especially those with low income to participate fully in the financial sector, digital financial inclusion is mandatory. Financial and non-financial institutions are providing services for financial services, and other excluded societies by adopting digital finance solutions with artificial intelligence support. These programs employ established online techniques to give access to individuals who once benefited from conventional banking organisations. The fourth industrial revolution is gradually transforming the conventional banking system that entails the use of accounts, paper and physical cash, into an integrated system that is more liberal and accessible (Mhlanga, 2020). By examining the motivations behind FinTech use and how it impacts financial service accessibility, this research investigates the potential of FinTech to promote financial inclusion. As moderators and mediators, we take into account the perceived regulatory backing and expertise of digital finance. Financial exclusion continues to impede equitable growth and make it impossible for many individuals to access formal financial institutions, despite the fact that the world economy is growing. FinTech has grown significantly in India as a result of technological adoption and the Digital India initiative. A quarter of adults globally and thirty percent of adults in India lack bank accounts, according to the 2021 Global Findex database (Amnas et al., 2024). The challenges that come with digital transformation for all businesses have played a major role in fintech's ascent to prominence in the banking sector. Fintech, an acronym for financial technology-enhanced services, facilitates financial participation by implementing cutting-edge solutions tailored to various business needs. This upheaval forces standard institutions like banks to adapt their business models. It provides startups with simultaneous opportunities to enter the financial services industry (Suryono et al., 2020). The financial industry and the flow of money around the world are changing dramatically due to new technology. FinTech and digital finance are not only providing groundbreaking financial services that

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