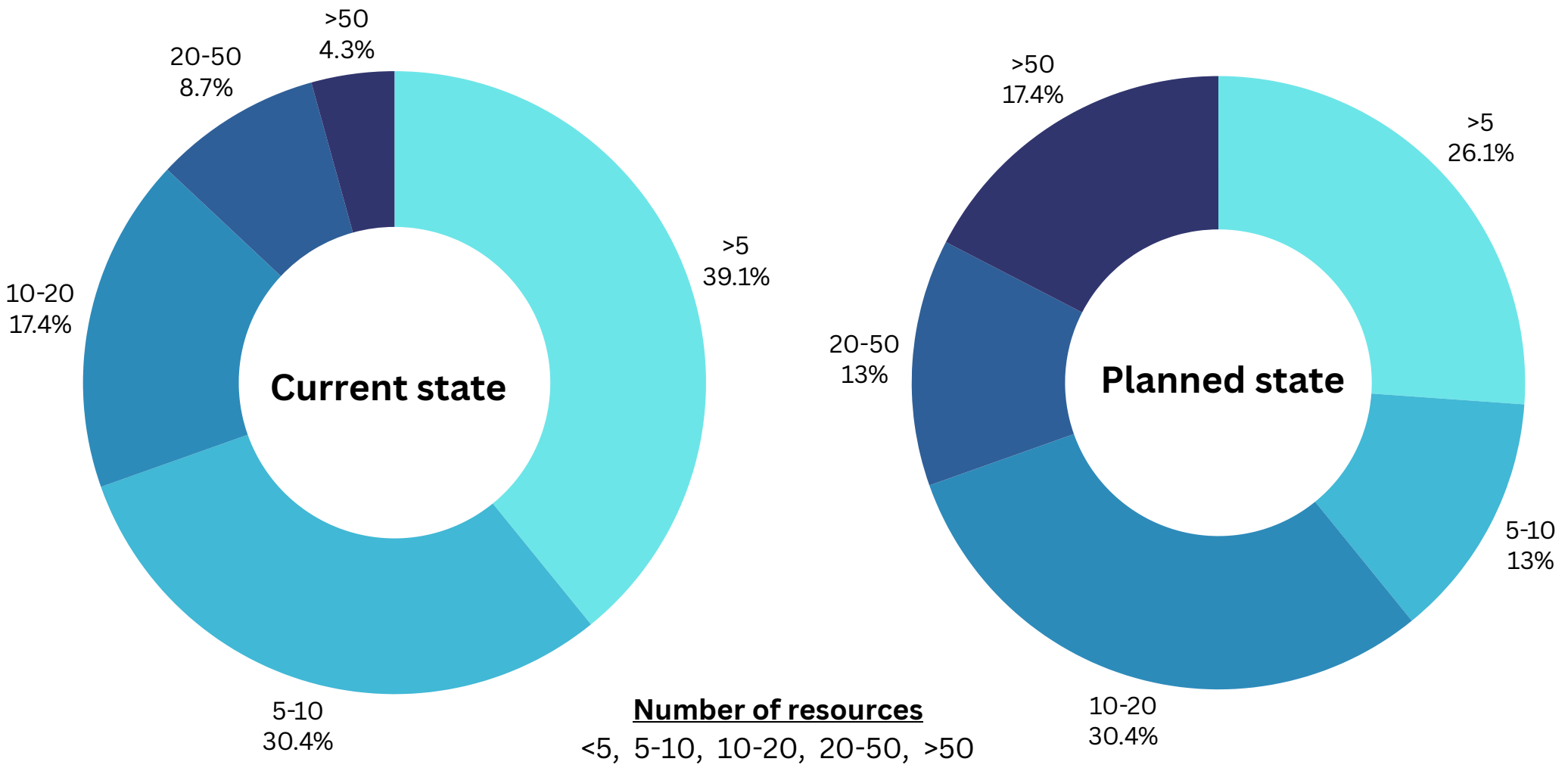## The role of AI in Financial Inclusion

Prologue

- AI-driven financial services extend a helping hand to the unbanked and underbanked populations, empowering individuals who were once excluded from formal financial channels.
- By 2035, artificial intelligence (AI) could boost India's GDP by 1.3% and contribute USD 957 billion to the national economy.
- The combination of AI and Data can deliver 10% of India's USD 10 trillion economy aspiration, or USD 500 billion in value over the next 4-5 years.

Financial Inclusion

AI Driven initiatives and research

The AA network, a financial data-sharing architecture that the Indian government has introduced, has the potential to revolutionize investment and lending. Millions of consumers would have improved access to and control over their financial data, while FinTech and lending companies would be able to reach a larger market. The AA's can ensure the transfer of a customers financial data such as bank statements, tax data, pensions data, securities data.

Resources planned for the next 2 years

Current state

>50 4.3%
20-50 8.7%
10-20 17.4%
5-10 30.4%
>5 39.1%

Planned state

>50 17.4%
20-50 13%
10-20 30.4%
5-10 13%
>5 26.1%

Number of resources
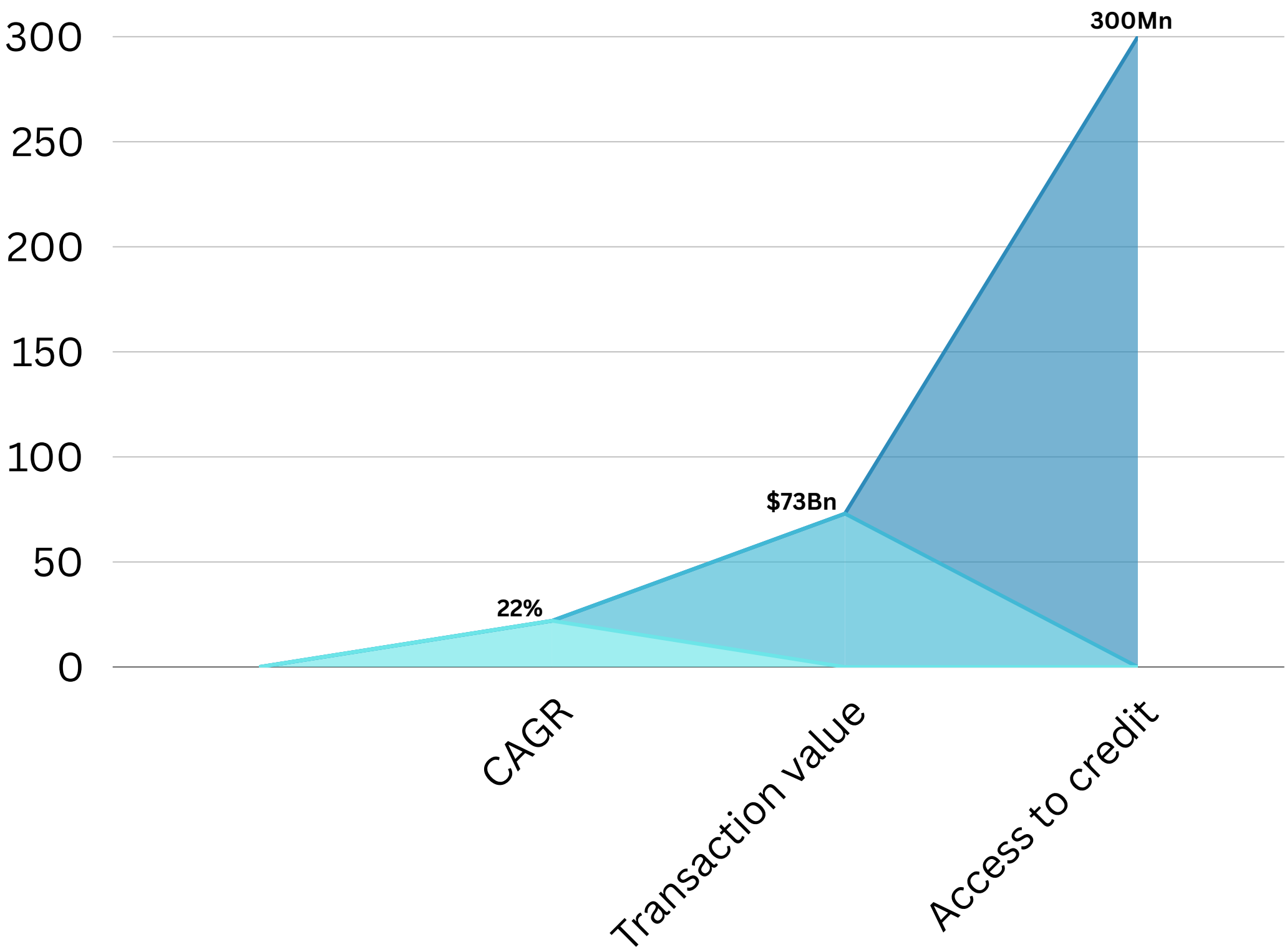<5, 5-10, 10-20, 20-50, >50

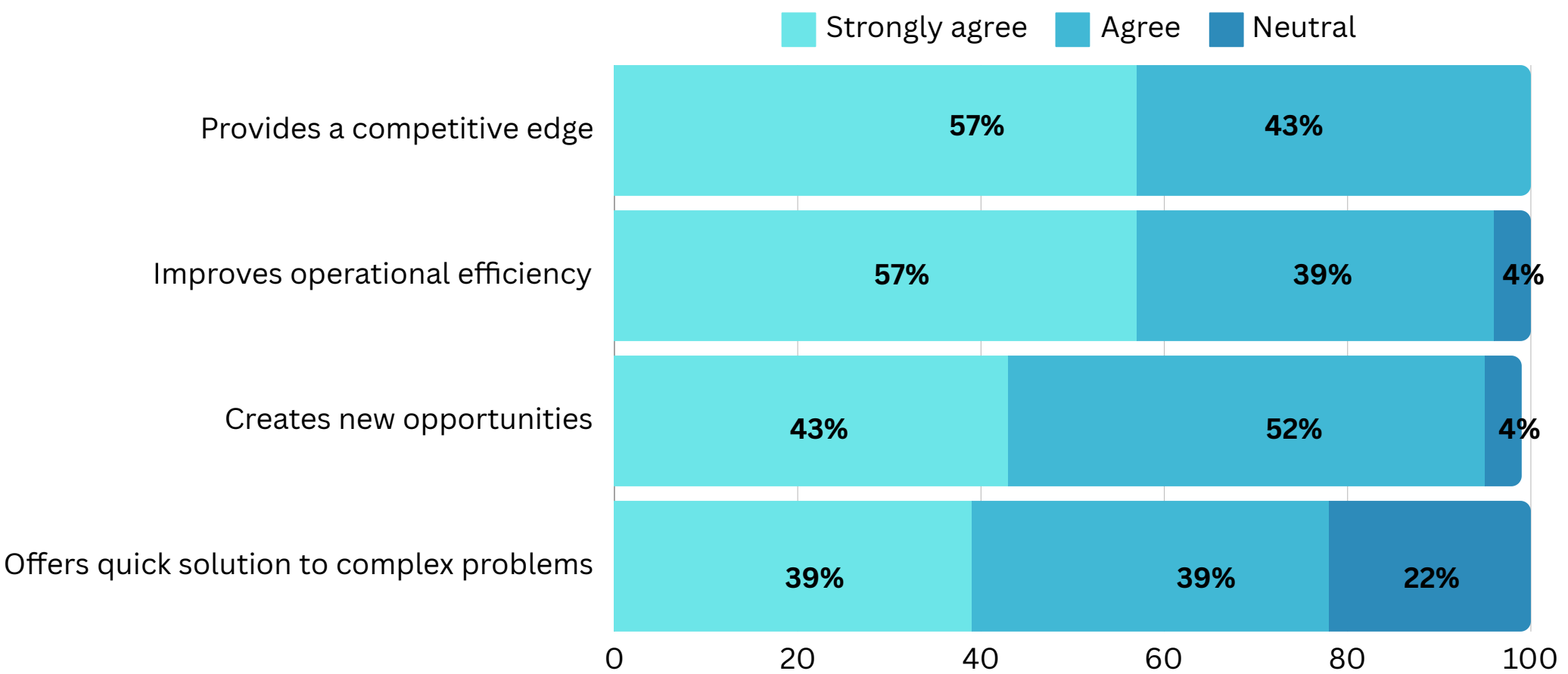**Current state of AI adoption in Indian Financial services**

More than 80% of financial institutions have used chatbots to enhance customer service, according to a government poll. Additionally, 65% of respondents have utilized AI engines for fraud detection, making it the second most common use case in the financial services industry.

Expected growth
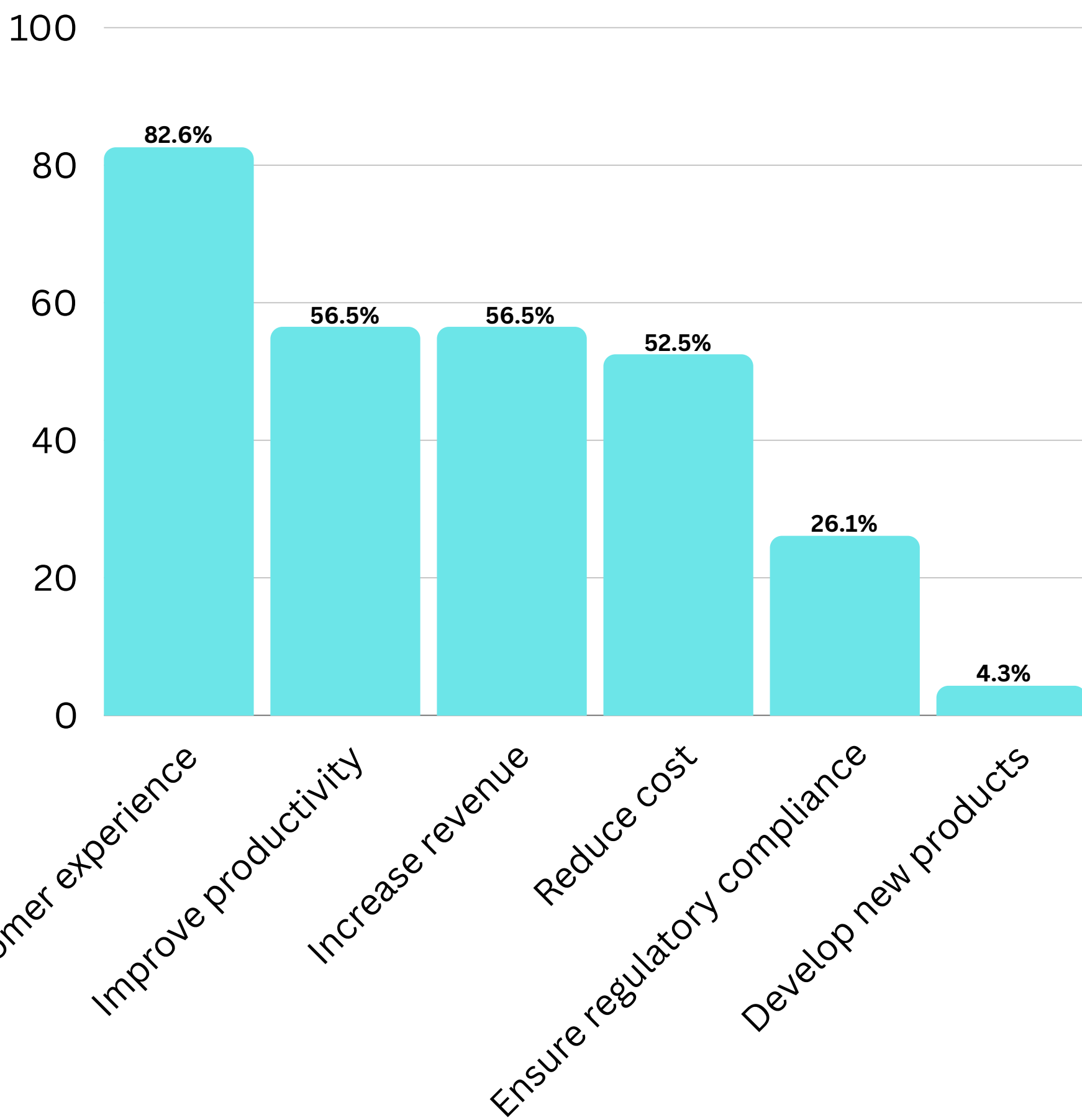
The Indian FinTech market is expected to grow at a CAGR of 22 percent over the next five years, with the transaction value crossing $73 billion by 2020. Financial services are impacting more than 300 million users by enabling them access to credit

Potential of AI as perceived by the organisations

	Strongly agree	Agree	Neutral
Provides a competitive edge	57%	43%	
Improves operational efficiency	57%	39%	4%
Creates new opportunities	43%	52%	4%
Offers quick solution to complex problems	39%	39%	22%

Top Business drivers for AI enabled use cases

Chart values (left to right):
- Enhance customer experience: 82.6%
- Improve productivity: 56.5%
- Increase revenue: 56.5%
- Reduce cost: 52.5%
- Ensure regulatory compliance: 26.1%
- Develop new products: 4.3%

Sector View- Exploring various sectors and their developments in AI

Banking-

- Across the globe and in the Indian context, banking is leading the way in developing and embracing all new AI use cases.
- A prominent private bank in India has adopted predictive analytics by utilizing regression and decision tree models. These models identify borrowers with a high likelihood of defaulting across segments by identifying patterns seen in past data.
- In order to identify high-risk instances, an Indian bank has developed more than five predictive collection models. This will assist the collection department in setting priorities for their work.

Insurance-

- An Indian company has introduced AI-based services for auto insurance tasks like creating new policies, renewing existing ones, and inspecting claims in collaboration with a major IT company. They analyze user-uploaded car photos for damage using AI and ML.
- AI-powered solutions for insurance firms are offered by an Indian InsurTech company. Utilizing a very precise AI decision engine, it's solution can handle fraud detection and claim processing after being integrated with an insurer's systems.
- An Indian insurance company has unveiled a real-time video streaming software driven by artificial intelligence (AI) that streamlines the claims procedure for automobiles that are damaged. Currently completing 30% of its pre-authorization approvals for health insurance, the company has introduced an AI-based pre-approval capability.

NBFC'S-

- An Indian non-deposit taking bank (NBFC) assesses applicants' creditworthiness using machine learning (ML) approaches in conjunction with non-traditional data points like GST, mobile, social, and product interaction data.
- In order to boost client retention, an India-based NBFC created ML-based gating models to discover residual profitability of at-risk customers and target them with AI-driven cross-sell and upsell offers.

Asset and Wealth Management-

- Several quant hedge funds and mutual funds are using AI to enhance the way they analyse securities and make investment choices.
- An Indian company has created a sentiment analysis tool that extracts news and social sentiment from text using natural language processing (NLP). When making decisions about trading or investments, this might be used as an input.

Payments-

- By analyzing more than 300 criteria, an AI-driven solution from a payment gateway reduces the possibility of order cancellations and return-to-origin (RTO) orders by flagging suspicious and dangerous transactions in milliseconds and providing thorough explanations.

Conclusion

Artificial intelligence has proved to be a promising tool for financial inclusion in India.
AI can expand the credit access, reduce costs and improve efficiency and enhance financial literacy by using alternative data sources and advanced analytics

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