



The Dialogue®  
INFORM ENGAGE IDEATE

Event Report

# WEBINAR ON NAVIGATING AI IN FINANCIAL SERVICES

Balancing Innovation, Inclusion, Resilience, and  
Unlocking Economic Opportunities



## EVENT REPORT

# **WEBINAR ON NAVIGATING AI IN FINANCIAL SERVICES**

BALANCING INNOVATION, INCLUSION, RESILIENCE,  
AND UNLOCKING ECONOMIC OPPORTUNITY

**The Dialogue** is a public policy think tank with a vision to drive a progressive narrative in India's policy discourse. Founded in 2017, we believe in facilitating well-researched policy debates at various levels to help develop a more informed citizenry, on areas around technology and development issues. The Dialogue has been ranked as the world's Top 10 think tanks to watch out for, by the Think Tank and Civil Societies Programme (TTCSP), University of Pennsylvania in their 2020 and 2021 rankings.

**For more information**

Visit [thedialogue.co](https://thedialogue.co)

**Suggested Citation**

*Event Report: Webinar on Navigating AI in Financial Services: Balancing Innovation, Inclusion, Resilience, and Unlocking Economic Opportunity* (January, 2025). The Dialogue.

**Catalogue No**

TD/DE/ER/0125/02

**Publication Date**

February 13, 2025

**Disclaimer**

The facts and information in this report may be reproduced only after giving due attribution to The Dialogue.

# CONTENTS

|   |          |
|---|----------|
| <b>1. Introduction.....</b>   | <b>1</b> |
| <b>2. AI as an Enabler and Disruptor in Financial Services.....</b>             | <b>2</b> |
| <b>3. Bridging the Financial and Digital Divide with AI.....</b>                | <b>3</b> |
| <b>4. Responsible Design and Deployment of AI in Financial Services.....</b>    | <b>4</b> |
| <b>5. Regulatory Concerns and Approaches in AI Integration.....</b>             | <b>5</b> |
| <b>6. Key Takeaways: Navigating the Future of AI in Financial Services.....</b> | <b>6</b> |

## 1. INTRODUCTION

Artificial Intelligence (AI) is reshaping the dynamics of the economy in the digital era. Across sectors, it drives transformation by addressing challenges in agriculture, urban planning, healthcare, and financial inclusion. With its predictive capabilities and automation potential, AI promises to revolutionise the Banking, Financial Services, and Insurance (BFSI) sector, improving efficiency, accuracy, and customer experience. AI Integration in financial services streamlines operations and enhances efficiency but also increases risks, including data breaches and biased decision-making. Without a robust and well-defined regulatory framework, these risks remain unaddressed. Striking a balance between innovation and regulation is crucial to harness AI's transformative potential while mitigating associated risks. By fostering an ecosystem that safeguards against risks while encouraging innovation, AI can revolutionise financial services and propel economic growth.

Recognising AI's transformative impact on financial services, The Dialogue hosted a conference titled "**Navigating AI in Financial Services: Balancing Innovation, Inclusion, Resilience, and Unlocking Economic**

**Opportunity**" on November 21, 2024. This event highlighted how AI is reshaping financial services in India, examining opportunities, challenges, and the regulatory frameworks needed to ensure ethical integration and financial inclusion.

**Dr. Sasmit Patra, Member of Parliament, Rajya Sabha delivered the keynote address** Following this, Mr. Kazim Rizvi, Founding Director of The Dialogue moderated a panel discussion on "***AI in Financial Services: Balancing Innovation, Inclusion, Resilience, and Unlocking Economic Opportunity.***" The panel featured the following esteemed speakers:

- Mr. Mathew Chacko, Founding Partner, Spice Route Legal
- Ms. Beni Chugh, Consultant, Dvara Research
- Prof. Debayan Gupta, Assistant Professor, Ashoka University
- Mr. Abhinav Nayar, CEO, mool.ai

The panel discussion highlighted key themes, including:

## 2. AI AS AN ENABLER AND DISRUPTOR IN FINANCIAL SERVICES

The discussion focussed on AI's dual role as a disrupter driving innovation and as an enabler advancing financial inclusion in the sector. The panellists emphasised how AI-based tools are transforming various stages of financial service delivery, including customer onboarding, risk assessment, fraud detection, and personalised financial planning.

AI's strategic importance in financial services was highlighted by citing that around 57% of financial institutions acknowledge AI integration significantly improves operations and provides a competitive edge.<sup>1</sup> Additionally, over 83% of financial institutions identified customer satisfaction as a key motivator for adopting AI.<sup>2</sup> The banking and financial sector can leverage AI to address low penetration of financial services, deliver tailored offerings, and empower individuals excluded from the financial landscape.

The discussion underscored AI's potential to drive rural financial inclusion by bridging gaps in access to banking and insurance services while facilitating customised financial products. AI-

powered operations — such as analytics, automated report generation, personalised chatbots for customer assistance, and Robotic Process Automation (RPA) — can enhance customer engagement, streamline processes, and ensure regulatory compliance. The panel also stressed the importance of responsible data-sharing frameworks like the Account Aggregator framework, which provides the foundation for secure, affordable, and accessible financial solutions for underserved populations.

The panel highlighted how AI is revolutionising data processing and customisation for banks and other financial institutions. By integrating AI with emerging technologies such as blockchain, financial institutions can redefine user engagement and trust. The combined use of blockchain and AI enables secure and efficient data management, optimises payment processes through tokenisation, and strengthens financial ecosystems, showcasing their collective potential to transform the financial services landscape.

---

<sup>1</sup> PwC. (February, 2022). *Uncovering the ground truth: AI in Indian financial services*. <https://www.pwc.in/assets/pdfs/research-insights/2022/ai-adoption-in-indian-financial-services-and-related-challenges.pdf>.

<sup>2</sup> PwC. (February, 2022). *Uncovering the ground truth: AI in Indian financial services*. <https://www.pwc.in/assets/pdfs/research-insights/2022/ai-adoption-in-indian-financial-services-and-related-challenges.pdf>.

### 3. BRIDGING THE FINANCIAL AND DIGITAL DIVIDE WITH AI

The panel highlighted AI's transformative potential to bridge the financial divide in rural areas and marginalised communities. By automating decision-making processes, AI can significantly enhance financial accessibility and streamline grievance redressal mechanisms, leading to improved customer experiences. One panellist emphasised that AI-powered and LLMs can address India's linguistic diversity, fostering inclusivity and accessibility. Multilingual and tailored financial services empowered by AI have the potential to uplift marginalised communities. Metadata collection plays a crucial role in addressing gaps in financial inclusion and accessibility by offering deeper insight into user behaviour, needs, and patterns.

AI-driven automation can also reduce the cost of financial advice, enabling fiduciary-grade

advisory services more affordable and accessible to a broader audience. Improved data integration and customer interactions enabled by AI has the potential to lower India's high lending rates, making loans more affordable and accessible.

The panel acknowledged AI's generative capabilities as a tool to mitigate systemic risks. These include enhancing credit-scoring accuracy, reducing biases, and improving lending and insurance decisions. However, the discussion underscored the importance of embedding empathy, mindfulness, and inclusivity in algorithm design to ensure that AI aligns with societal values. By doing so, AI can become a force for positive and equitable change. At the same time, the panel cautioned against the potential pitfalls of deploying AI without proper oversight.

## 4. RESPONSIBLE DESIGN AND DEPLOYMENT OF AI IN FINANCIAL SERVICES

The panel explored key principles and approaches for the responsible design and deployment of AI in financial services. They advocated for a **principle-based regulatory framework** that prioritises fairness, explainability, transparency, privacy, accountability, and human oversight. AI systems must be tailored to meet the unique needs of diverse demographics, including rural populations and women, ensuring inclusivity and accessibility. One panelist underscored the importance of addressing the entire AI lifecycle, from development to deployment. They highlighted the need for responsibility at every stage to ensure that AI systems align with ethical standards and serve as tools for equitable and sustainable progress in financial services.

The panel advocated for a decentralised regulatory approach, enabling individual financial institutions to craft AI policies within a framework of overarching principles. This model fosters innovation and adaptability while maintaining accountability. For instance, Kenya's loan default crisis, driven by AI models trained on limited datasets, highlights the need for robust mechanisms and continuous monitoring. The panel emphasised the necessity of mandatory human intervention in AI-driven systems, particularly during developmental phases when models are still being trained and refined with additional data.

Human-in-the-loop (HITL) systems are crucial for personalised grievance redressal and correcting biases that AI models may amplify. These biases often stem from datasets reflecting societal prejudices related to gender, ethnicity, sexuality, or social status. However, some panellists cautioned that human oversight is no guarantee against bias, noting that human decision-making can be arbitrary and often lacks transparency, shrouded in bureaucratic processes. In contrast, AI-powered decision-making, if properly programmed, offers the potential for greater explainability and transparency, ensuring accountability.

The responsible deployment of AI in financial services is not solely a technical or regulatory challenge — it also involves addressing broader societal responsibilities. Since many instances of AI-based decision-making occur within black boxes, their decisions and approach can lack clarity. To build trust and transparency, AI systems must be programmed with clear explanations and necessary guardrails to ensure predictability in their operations. The successful deployment of AI in financial services demands a collaborative effort among stakeholders. This collective approach will ensure AI serves as a tool for equitable growth and inclusivity, aligning technological advancements with societal values.



## 5. REGULATORY CONCERNS AND APPROACHES IN AI INTEGRATION

The panel agreed that AI in financial services is a double-edged sword, offering immense opportunities while posing significant regulatory challenges. Unregulated AI deployment could undermine customer trust and raise privacy concerns, underscoring the urgent need for robust oversight. One panelist proposed integrating AI into financial systems in a manner that complements existing regulatory frameworks without compromising ethical standards. They outlined two primary regulatory approaches: the Old European prescriptive model, which is detailed and rule-based, and the New English principle-based model, which is broad and value-driven. While the prescriptive approach ensures thoroughness, it can stifle innovation. Conversely, the principle-based approach provides flexibility and adaptability, fostering innovation while maintaining ethical boundaries. The panel advocated for a "light-touch" regulatory framework that balances these approaches. Such a framework would allow the market to evolve organically while implementing critical safeguards to ensure ethical and responsible AI practices, thereby protecting consumer interests and fostering trust.

The panel recommended several key regulatory approaches to ensure responsible and ethical AI integration:

- **Principle-Based Approach:** A principles-driven regulatory framework emphasising fairness, transparency,

privacy, accountability, and human oversight was proposed. This approach balances innovation with responsible use, offering the flexibility industries need to adapt as AI technologies evolve while maintaining ethical standards.

- **Collaborative Approach:** A collaborative regulatory approach involving diverse stakeholders is essential for responsible AI integration. Rather than relying on a centralised AI regulatory body, the panel advocated for equipping individual sectoral regulators with AI expertise to address sector-specific concerns more effectively.

While 75% of organisations using AI adhere to ethical guidelines, India requires a comprehensive national framework to address data privacy and bolster customer trust. With its potential to lead in AI innovation, India must balance technological advancements with strong data security measures. The country advocates for data sovereignty and ethical AI frameworks, ensuring innovation is protected against data exploitation by developed nations.

The conference concluded with a call for policymakers to ensure AI applications align with ethical standards. This will promote innovation while addressing risks such as data misuse and regulatory gaps.

## 6. KEY TAKEAWAYS: NAVIGATING THE FUTURE OF AI IN FINANCIAL SERVICES

Based on the discussion, the following points outline the path forward for navigating AI in financial services:

- **Empathy and Inclusivity in AI Design:**
  - Ethical and Responsible AI development must prioritise empathy-driven design that addresses the diverse needs of underserved populations, including rural communities and women.
  - Addressing biases in algorithms and ensuring transparency is essential to achieving equitable financial inclusion.
- **Human Oversight and Accountability:**
  - Despite AI's capabilities, human oversight remains crucial to ensure fairness and build trust.
  - Transparent decision-making processes and the ability to explain AI-driven outcomes are vital for maintaining user confidence.
- **Balancing Innovation with Regulation:**
  - A principle-based regulatory framework focusing on fairness, accountability, and privacy is necessary to foster innovation while addressing potential risks.
  - Flexible, sector-specific regulations can better accommodate the rapidly evolving nature of AI technologies.
  - Given the untapped potential of AI innovation, a 'light-touch' regulatory approach is recommended to prevent stifling of innovation.
- **Collaborative Ecosystem:**
  - Effective AI integration requires collaboration among stakeholders, including policymakers, financial institutions, and fintechs.
  - Collective efforts can ensure the responsible design, deployment, and oversight of AI systems, aligning technology with societal values.
- **Leveraging the Account Aggregator Framework:**
  - The Account Aggregator framework can play a pivotal role in leveraging AI to democratise access to financial services.
  - By enabling secure and responsible data sharing, it supports the development of tailored solutions for underserved populations, advancing rural financial inclusion and trust.
- **AI-powered Investment Advisory in Capital Markets:**
  - AI-powered tools have the potential to revolutionise investment advisory by making it cost-effective and accessible.
  - Personalised investment products and data-driven insights can encourage greater participation in capital markets.



[thedialogue.co](http://thedialogue.co)



[LinkedIn | The Dialogue](#)



[X | The Dialogue](#)



[Whatsapp | The Dialogue](#)



[Instagram | The Dialogue](#)