



AI's Role in India's Banking Industry

¹Mr. S. Manikandan,

²Mr. S. Kanagaraj,

³Mr. K.S. Imranullah.

Abstract

The expression "India's Banking Technology" draws attention to the various technological innovations and advancements applied in the country's banking sector. It consists of a range of protocols, tools, and systems that enhance how banks operate, offer services, and interact with customers. When it comes to AI in finance, India is lacking in experience. India uses systematic banking technologies under the RBI. The field of artificial intelligence (AI) technology is now growing at the fastest rate in history. The Indian banking sector is using AI technology to modernise its own banking technology in order to stay up with the increasingly human-less global banking industry. For the banking sector in India to successfully implement artificial intelligence (AI), a number of problems need to be fixed.

Keywords: AI – Artificial Intelligence, RBI – Reserve Bank of India.

Introduction

The expression "India's Banking Technology" highlights the different technological developments and advances used in India's banking industry. It includes a variety of procedures, instruments, and systems that improve the way banks function, provide services, and engage with clients.

Statement of the Problem

India lacks expertise in the financial sector when it comes to AI. Under the RBI, systematic banking technology is used in India. AI technology is currently expanding at the quickest rate in the world of technology.

Objective of the Problem

In order to keep up with the human less global banking industry, the Indian banking sector is utilizing AI technology to update its own banking technology.

Issues with AI in India's Banking Sector Environment and Regulatory Compliance

¹Corresponding Author: Assistant Professor, Department of Commerce, M.G.R. College, Hosur

² Co – Author: Assistant Professor, Department of Commerce(C.A), M.G.R. College, Hosur

³ Co – Author: Assistant Professor, Department of Commerce, M.G.R. College, Hosur

The Reserve Bank of India (RBI), the Securities Exchange Board of India (SEBI), and the Insurance Regulatory and Development Authority of India (IRDAI) are just a few of the organisations that keep a close eye on India's banking industry. These institutions still lack a thorough regulatory structure designed with AI applications in mind. The special difficulties presented by AI may not be sufficiently addressed by the current regulations, which could result in non-compliance problems.

Security and Privacy of Data

A great deal of data are needed for AI systems to operate and learn, which presents questions regarding data security and privacy. Financial institutions that handle sensitive client data must make sure they abide by data protection rules. Customers' trust may be damaged by the possibility of data breaches or misuse, which could have serious legal ramifications.

Bias and Fairness

Accidentally maintaining biases found in training data can cause AI systems to treat specific client categories unfairly. This is especially important in the banking industry, where choices about risk assessments, credit scores, and loan approvals can have a big influence on people's financial destiny. Maintaining ethical standards requires ensuring sure AI decision-making systems are transparent and equitable.

The absence of Talent

A significant deficiency exists in the pool of qualified experts who are adept at both AI technologies and financial operations. This divide makes it difficult for financial firms to implement AI solutions successfully since they cannot locate skilled staff members who can work across the two disciplines.

Linking Traditional Systems with Integration

Many banks still use antiquated technology, which might not be compatible with contemporary AI innovations. It is technically difficult to integrate new AI solutions with existing antiquated systems, and it could be necessary to make large infrastructure modifications.

Ethical Aspects to Take into Account

When implementing AI in banking, ethical considerations must be properly explored. To create ethical AI practices, it is important to carefully consider issues like openness in algorithms, accountability for automated judgements, and the possibility of job displacement from automation.

Constant Observation and Hazard Evaluation

Since AI technologies are developing quickly, it is essential to continuously monitor them in order to evaluate their effectiveness and reduce any potential hazards. Strong governance structures, which include frequent audits and AI system updates, are crucial for financial organisations.

Perception and Trust in the Public Vision

Gaining public confidence in AI-powered banking services is essential to their broad adoption. Consumers can have doubts about automated decision-making systems or worry that important financial decisions won't be reviewed by humans.

AI's challenges for India's banking sector

As an the successful installation and operation of Artificial Intelligence (AI) in India's banking sector, a number of difficulties must be overcome.

Algorithmic Prejudice

Since AI systems are trained, they frequently use previous data, which might unintentionally incorporate biases into the decision-making process. For instance, AI models trained on this data may perpetuate disparities in credit score and loan approvals if historical lending practices were biased against particular groups. To maintain equity and stop discrimination, mitigation techniques and ongoing monitoring are crucial.

Lack of Ability to Explain and Be Transparent

A lot of AI systems function as "black boxes," which makes it challenging for stakeholders to comprehend the decision-making process. Both consumers and regulators may become less trusting of this lack of transparency. In order to ensure accountability in automated operations, banks need to give priority to explainable AI models that offer transparent insights into the decision-making process.

Conclusion:

As an the adoption of artificial intelligence (AI) in India's banking industry to be successful, a number of issues must be resolved. The regulatory environment is a significant problem since it has not kept up with the quick advances in AI technology. The duty of supervising the banking sector falls to regulatory authorities like the Reserve Bank of India (RBI), Securities Exchange Board of India (SEBI), and Insurance Regulatory and Development Authority of India (IRDAI); nevertheless, their regulatory frameworks frequently lag behind technological advancements. This leaves a space for banks to exercise self-regulation, which could result in breaking current legal and moral guidelines.