Artificial Intelligence: A Promising Technology in Banking

Dr. S. Maheswari
Associate Professor in Commerce
S.H.M.S.Govt. First Grade College
Tekkalakote **BALLARI**

Prof. C. R. Reddy
UGC Emeritus professor of Commerce
SRI Krishnadevara University
1-1-27, Vivekananda Nagar
ANANAPUR (A P) – 515 004

Abstract: *In modern era, technology plays a major role in helping businesses achieve their goal of providing good services to their customers. It is described as the ability of a device to perform cognitive functions like perceiving, reasoning, getting to know, interacting with the surroundings, hassle solving, or even exercise creativity.AI is carried out in banking systems via algorithms with wonderful success in customer management services, credit information services, frequently asked questions services, financial assistance services. Presently, the enhancement in overall performance of a banking machine is achieved via applying the A.I. To meet the expectations, banks have expanded their industrial landscape to encompass retail, IT, and telecom through the use of services like mobile banking, e-banking, and real-time money transfers. Thus, the paper aims to analyses the concept of AI and discuss the opportunities of AI in Indian Banking sector for understanding the growth of AIin Indian Banking sector.A crucial question arises:* Are the people of India ready for a technology that is reshaping the world? This further underscores the urgent need for genuine digital literacy, an area where India continues to lag.*Customers that are tech aware and often interact with cutting-edge technologies want banks to provide smooth experiences. This paper aims to analyses the concept of Artificial Intelligence and discuss the opportunities of Artificial Intelligence in Indian Banking sector and also to understand the growth of Artificial Intelligence in Indian Banking sector.*
Key Words: *Artificial intelligence, Cybercrime, Digitisation, Chat, Analytics and Netflix.*

A major challenge that Indian banks today facing is poor data and customer segmentation. In modern era, banks are using new technologies to further develop and improve their services to customers. Artificial intelligence is helping banks transform their entire business, from insurance to sales, contracts to cybersecurity via use of analytics, blockchain, and machine learning to future-proof their products and services, thus in banking and improves financial efficiency and competitiveness. For a variety of purposes, including fraud detection, improving customer experience, monitoring customer behaviour to provide better service, and checking credit history of users' products to predict loan risk by using AI. The areas where banks utilize artificial intelligence includechatbot services which can support customers and provide accurate answers to their questions.

I.DAWNING OF AI IN BANKING
Therefore, AI chatbots helps banks to attract customers, improve service quality, and expand their brand's impact on the business. Smart mobile apps can track user-behaviour and extract sensitive information on user-browsing trends. Thus, the study aims to analyses the concepts AI in Indian Banking sector with various opportunities in Indian banking sector and also its growth in Indian banking sector. The present paper focuses on analysing the AI in the Indian Banking sector. The specific objectives are: To examine the concepts of AI in Indian banking, to discuss AI opportunities and to knowAI growth. The current is descriptive in nature attempting review literature to understand the concepts, and to analyse AI in the Indian Banking sector.

AI technologies and development of intelligent bots' retailers began to implement messaging chat bots that allowed customers to engage conversationally. The natural progression was for the messaging bots to

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become voice enabled, driving the rise in voice bots what are seeing today. This progressive voice technology was born in 1962 where IBM added a tool referred to as 'Shoebox' carrying-out the mathematical functions. The technology has come an extended way via the creation of voice assistants by means of leading generation organizations Apple's Siri in 2011.Great surge inside the range of voice-enabled assistants to 1.83 billion by 2025. The facility making voice commands on smart phones was introduced through the Google voice search app for mobile in 2008 and followed by the launch of Apple's Siri in 2011. Therefore, voice recognition software that turned verbal commands into text in order to carry-out the necessary actions.

The banking sector traditionally reliant on manual processes and established risk-models, is undergoing a profound shift with the integration of AIencompassing Machine Learning (ML), Natural Language Processing (LNP) and Predictive Analytics. This enables the systems to simulate human intelligence to examine vast datasets, identify patterns, and make informed decisions faster-and-more accurately than the traditional methods. This development seeking to boost operational efficiency, reduce costs, and deliver the personalised, real-time services and customers demand in an increasingly digital world.

In the bright of increasing cybercrime sharply, the online fraud has become a daily occurrence. Netflix and other media have highlighted the challenges of digital illiteracy and also an alarming lack of awareness about financial and personal security in India resulting inmany users fall into simple traps. A vast population lies between fully literate and completely unlettered individuals advancing enough to access technology but lacks the judgement in its use safely required. In such a situation, AI poses a more significant threat, as its misuse can have serious consequences for people with understanding of limited technological issues.

Insufficient 'safety' and 'security' measures endanger the financial and physical well-being too. Moreover, AI has the potential to displace millions of skilled workers. In a country like India already struggling with high unemployment and unchecked adoption of AI could trigger large-scale socio-economic unrest. This is why experts worldwide urge caution once embrace AI. Technology should not compete with humans; rather, it should augment human capabilities without creating unmanageable social divisions.

Black Mirror and **The Social Dilemma**vividly expresses AI provide glimpses into the potential consequences of unchecked technology. Literature has long warned of dystopian futures shaped by dominance of technology. Yet millions in India have not fully grasped the gravity of the situation. According to a McKinsey study, AI could render nearly 40 crore people; approximately 15% of the global workforcejobless. What guarantees that India will not be a major part of this figure?To prevent such adverse outcomes, India must establish a strong standard operating procedure, prioritizing 'safety' and 'security'. Since AI thrives on personal and sensitive data, the country must devise strategies to limit unrestricted data sharing and enforce strict permission to prevent misuse of user-data.

II.DIGITIZATION AND AI ADOPTION

Digitization and AI adoption are significant trends in India's private banking sector, especially among institutions such as ICICI Bank, HDFC Bank, Axis Bank, Kotak Mahindra Bank, and others. AI leverages cognitive technologies to strengthen digital operations in the banking ecosystem, enabling banks to compete effectively with FinTech players.Financial service providers are increasingly using AI-applications such as predictive analytics and voice-recognition. According to joint research by the National Business Research Institute and Narrative Science, nearly 32% of financial institutions already employedthe AI-based technologies.

AI is the future of banking due to its capacity to analyse vast datasets and enhance fraud detection and compliance. AI-driven algorithms perform anti-money laundering checks in seconds, a task which previously required hours or even days. They also help banks manage massive volumes of data at record speed, enabling them to derive valuable insights.Digital payment advisors, biometric fraud detection, and enhanced digital payment mechanisms contribute to a higher quality of services for a larger customer base. As result, the benefits translate into increased revenue, reduced operational costs, and improved profitability.AI also boosts banks' competitiveness by providing deeper insights into customer behaviour, allowing banks to personalize products and services, improve engagement, and strengthen customer relationships.

III.INTEGRAL FOR INTEGRITY

AI has become an integral to the global economic development. In this scenario, banks are increasingly integrating AI-driven technologies into their products and services. Every-day, millions of digital transactions occur as customers pay-bills, withdraw-money, deposit- cheques, and complete other activities through online accounts or mobile apps.

This intensifies the need for detection of advanced fraud.AI and Machine Learning (ML) play a crucial role in identifying fraudulent activities, detecting loopholes, minimizing risks, and enhancing the overall security of online financial systems. For example, a major Dutch bank implemented a deep-learning-based fraud detection algorithm that increased fraud detection by 50% while reducing false positives by 60%. Such AI-based systems

can automate numerous critical decisions while routing complex cases to human analysts.In 2019, the financial sector accounted for 29%of all cyber-attacks, making it the most targeted industry. With continuous monitoring powered by AI, banks can respond to potential cyber threats before they impact customers, employees, or internal systems.

IV.CHATBOTS

Chatbots are among the most practical applications of AI in banking. They operate 24/7, continuously learn from customer interactions, and understand user needs with increasing accuracy.Integrating chatbots into banking apps ensures round-the-clock availability. Also, they provide personalized customer support, reduce workloads, and recommend financial products through emails and notifications. For instance, Erica, the virtual assistant of Bank of America, handled over 50 millionrequests in 2019, helping with debt management, card security, and account updates.

V.LOAN AND CREDIT DECISION

AI-based credit systems can analyse customer behaviour patterns; even with limited credit historyto assess creditworthiness. These systems can alert banks about behaviours indicating higher default risk, enabling safer and more profitable lending decisions.Traditional credit reporting systems often contain errors, overlook real-world financial behaviour, and sometimes misclassify users. AI-based models provide a more holistic and accurate assessment of borrowers.

VI.DATA AND ANALYSIS

AI plays a key role in analysing large volumes of data to predict market trends. With its ability to process massive datasets quickly, AI enhances decision-making and simplifies trading for banks and investors.Banks record millions of transactions daily, generating enormous amounts of data. Managing such vast information manually is overwhelming and error-prone. AI supports efficient collection, structuring, and analysis of data, thereby improving accuracy and enhancing the overall user experience.

6.1 Customer Experience: **Customers** consistently seek better experiences and greater convenience. The introduction of ATMs enabled round-the-clock access to essential banking services. With further innovation, customers can now open accounts, access services, and complete transactions from their homes using smartphones.Integrating AI improves customer experience by reducing KYC processing time, eliminating errors, and helping deliver personalized offers. AI also accelerates loan approvals and streamlines account setup.

6.2 Risk Management: Global factors such as currency fluctuations, natural disasters, and political instability can significantly affect financial institutions. AI-powered analytics help banks anticipate future risks and make timely decisions. AI systems can predict loan default risks by analysingbehavioral patterns and smartphone data, enabling better preparation and risk mitigation.

VII.REGULATORY RESPONSIVENESS

Banking is one of the most regulated sectors. Governments enforce strict compliance to prevent financial crimes and ensure stable risk profile. Manual compliance processes are time-consuming and costly.AI and ML employ deep learning and Natural Language Processing (NLP) to interpret new regulations and help banks update their procedures efficiently. While AI cannot replace compliance analysts, but greatly expedites and streamlines their work.AI can detect patterns and correlations in data that conventional methods often miss. These insights reveal cross-selling opportunities, untapped markets, and operational improvements that can directly impact revenue.India's efforts toward encouraging the use of the rupee in international trade mark a step towards currency diversification and de-dollarization. Reducing global dependence on the dollar will require sustained economic growth, export expansion, regulatory reforms, and adaptive strategies in an evolving global landscape.

VIII.CHALLENGES AND ETHICAL CONSIDERATIONS

Despite the opportunities, the widespread use of AI in a heavily regulated industry presents the following challenges.Handling vast volumes of sensitive customer data necessitates robust security measures and compliance with stringent fata protection regulation to prevent breaches.AI models trained on historical data may inadvertently perpetuate existing biases, leading to discriminatory outcomes in areas like credit lending.The complexity of some AI decision-making processes makes it difficult to explain how a particular outcome was reached, which is a significant hurdle for regulatory compliance and building customer trust.Developing and integrating AI systems requires substantial investment in technology and skilled personnel, posing a challenge, particularly for smaller institutions.

IX.INFERENCE

AI's influence spans the entire banking value chain, from front-end customer interactions to back-office risk management and compliance with areas as: (a) AI powered chatbots and virtual assistants provide 24/7 instant, and personalized support routine inquiries and freeing human employees for more complex tasks.(b) AI algorithms analyze real time transaction data to detect anomalies and suspicious patterns indicative of fraud or money laundering more effectively than traditional rule-based systems. This proactive stance helps banks safeguard consumer accounts and minimize financial losses.ML models evaluate a broader range of data including alternative data sources, to provide some accurate credit-risk assessments and expedite loan approvals, thus enhancing financial inclusion.(c) By analyzing customer behavior and preferences, AI enables banks to offer tailored financial service, customized product recommendations and targeted marketing campaigns.(d) Robotic process automation (RPA) and intelligence automation streamline repetitive bank-office tasks like data entry, documentation verification, and reconciliation, minimizing human error and significantly reducing operation costs.(e) Automating processes AI allows for faster service delivery ad quicker decision-making and minimizes manual errors, leading to more reliable data processing and risks assessments. Significant savings are realized through automation of tasks and optimized resource allocation.(f) Personalized and immediate services lead to greater customer loyalty and retention.

X.CONCLUSIONS

AI technology is no longer an optional innovation buy a strategic necessity for competitive advance in the banking sector. By enhancing operational efficiency, improving risk management, and delivering hyper-personalized customer experiences, AI is fundamentally reshaping the financial landscape. While challenges related to data security, ethics, and regulation must be proactively addressed through robust governance frameworks and a "human-in-the-top" approach, the future of banking is undoubtedly AI-driven, promising a more efficient, secure, and customer-centric industry for all stakeholders.