American Journal of Humanities and Social Sciences Research (AJHSSR)
e-ISSN : 2378-703X
Volume-09, Issue-02, pp-10-19
www.ajhssr.com
Research Paper Open Access

EXPLORING THE ROLE OF AI-DRIVEN CREDIT SCORING SYSTEMS ON FINANCIAL INCLUSION IN EMERGING ECONOMIES

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ABSTRACT: Currently, AI adoption is speeding up across a broad range of industries, and finance has been among the most significantly affected industries by implementing the AI concept. One of the revolutionary cases that has emerged is the creation of new sophisticated artificial intelligence based credit scoring models, which use innovative machine learning and massive amount of data on individuals' or companies' credit risks. These technologies are particularly useful for facilitating growth in emerging markets due to institutional problems that include weak structures in the provision of financial systems, conventional credit scoring processes that lock out significant populations, and poverty is rife in the developing world. Conventional credit-rating approaches only take into account financial history, employment records, bank statements and credit history which many people in emergent markets do not possess. This puts cost access barrier to informal employment, small business and rural dwellers consequently perpetuating poverty and exclusion. AI-based credit scoring, for example, has the potential of not only using the traditional sources of credit data, such as the borrower's identity, payment history and credit card usage, but also mobile payment history, utility bill payments, social media activity, and geographical information. With the help of these non-trivial data sources, AI systems open more detailed and multifaceted credit histories, thus providing access to finance to such population groups to which it was impossible to assign a score before. Algorithms based credit scoring have revealed powerful application but their application is not without some drawbacks. There are significant questions about the explicit ethical problem of how AI can be supported for decision making for financial goals. This usually happens when an algorithm is programmed in such at manner, or built from data in which, various injustices are already embedded. Analyzing the theoretical and practical aspects of AI credit-scoring systems is the focus of this paper.

I. INTRODUCTION

1.1 Background of the Study

In this paper, need for money in emerging economy development and living a financially inclusive life is discussed. According to analyzed data of the World Bank for 2022, nearly quarter of the adult population of these territories is unbanked and, thus, has no accesses to institutions, which offer financial services. The more conventional credit referencing techniques as mentioned in this paper use credit references and thus credit inactive customer, those that do not have a bank account or utilize credit facilities are discriminated. Such exclusion is worst among employees in the informal sector, women and those living in rural areas (Demirgüç-Kunt et al., 2021). This is through what is describes as an AI driven credit scoring system which is based on non traditional parameters such
as mobile money transactions, utility bills, credit card data, geo-location data and even social media footprints. These systems use relatively high data patterns, creditworthiness, and a much better capability to predict the loan repayments' behavior using machine learning algorithms (Chen et al., 2021). Thus, the described technologies can act as an addition to the current techniques to evaluate creditworthiness, to cover credit voids, and to support financially susceptible individuals. However, in any creation of a new system, there are certain difficulties that arise with the introduction of the AI system in the financial sector. However, there are some challenges that remain extremely contentious to the values of activism, these includes Algorithmic Justice, Sovereignty over Data, Profiling, and Data Privacy. Moreover, lack of technical skill, and inadequate legal ecosystem of innovation also exacerbate these issues primarily in emerging markets (Zhang, Nandram, & Shanker, 2023).

1.2 Statement of the Problem

While AI-driven credit scoring systems hold promise to address these issues, their adoption in emerging economies faces significant obstacles, including: Small-business loan approvals are less accurate with traditional credit scoring, leaving large populations with no credit score at all unable to access finances from financial institutions; and billions of people in emerging economies are locked out of the economic mainstream and remain economically marginalized.

· Ethical concerns around algorithmic biases and transparency.
· Limited technological infrastructure and expertise.
· Regulatory ambiguities regarding AI implementation in finance.
· Data privacy risks and the need for robust cybersecurity measures.

Addressing these challenges is critical to unlocking the full potential of AI-driven credit scoring systems for financial inclusion.

1.3 Objectives of the Study

This study aims to:

1. Examine the effectiveness of AI-driven credit scoring systems in promoting financial inclusion in emerging economies.
2. Identify challenges and risks associated with implementing AI-based credit scoring systems. 3. Propose strategies to mitigate algorithmic biases and ethical concerns.
4. Evaluate the role of policy and regulatory frameworks in supporting AI adoption in financial services.
5. Provide actionable recommendations for stakeholders in emerging economies.

1.4 Relevant Research Questions

1. How effective are AI-driven credit scoring systems in increasing access to credit for underserved populations?
2. What challenges hinder the adoption of AI-based credit scoring systems in emerging economies?
3. How can algorithmic biases in AI-driven credit evaluations be minimized? 4. What role do regulatory frameworks play in ensuring ethical and efficient AI implementation?

1.5 Relevant Research Hypotheses

1. **H1**: AI-driven credit scoring systems significantly improve financial inclusion in emerging economies.
2. **H2**: Infrastructure and ethical challenges limit the adoption of AI-driven credit scoring systems in these regions.
3. **H3**: Robust regulatory frameworks positively impact the effectiveness and adoption of AI in financial services.

1.6 Significance of the Study

This study is important because it has the ability to use technological innovation to close important gaps in financial inclusion. This study adds to the following by investigating the potential of AI driven credit scoring systems:

· Advancing knowledge on the use of alternative data for credit evaluation. · Informing policymakers and financial institutions on strategies to enhance credit access. · Identifying ethical and regulatory considerations to ensure responsible AI use.

For emerging economies, this study offers insights into harnessing technology to empower neglected communities, stimulate economic growth, and reduce inequality.

1.7 Scope of the Study

The primary focus of this study is the application of AI-powered credit scoring systems in developing countries, particularly those in Asia, Latin America, and Africa. It evaluates their impact on financial inclusion, challenges associated with implementation, and the legal frameworks required to support their uptake. The study excludes advanced economies, where financial inclusion is less essential, and other applications of AI in finance, such as automated trading or fraud detection.

1.8 Definition of Terms

· **Financial Inclusion**: Ensuring access to affordable financial services for individuals and businesses, particularly underserved populations.
· **AI-Driven Credit Scoring**: The use of artificial intelligence and machine learning algorithms to evaluate creditworthiness based on non-traditional data sources.
· **Emerging Economies**: Nations with developing industrial bases, improving infrastructure, and growing economies.
· **Algorithmic Bias**: Systematic discrimination embedded in AI algorithms that may lead to unfair outcomes.
· **Regulatory Frameworks**: Policies and guidelines governing the use of technology in various sectors.

1.9 Figures and Tables

Figure 1: Comparison of Traditional and AI-Driven Credit Scoring

Metric	**Traditional Scoring**	**AI-Driven Scoring**
Data Sources	Financial history	Mobile data, social media, etc.
Accuracy	Moderate	High
Inclusion of Informal Sector	Low	High
Implementation Costs	Moderate	Variable

Table 1: Financial Inclusion Statistics in Emerging Economies

Region	Unbanked Population (%)	Mobile Phone Penetration (%)	Internet Access (%)
Sub-Saharan Africa	57	80	28
South Asia	45	75	35
Latin America	38	88	50

II. LITERATURE REVIEW

2.1 Preamble

Financial services have thus been described as ‘adequate, reasonably priced and easily accessible’ in emerging economies to spur on economic development. Nevertheless, the requirements of underbanked population segments—especially those that are engaged in environmentally unsustainable activities and work beyond the formal credit system—remain unfulfilled in most cases by the credit bureaus. The advances in the field of artificial intelligence (AI) within the integration of multiple data sources and predictive analytics have given new potentialities to recreate the mechanisms of credit scoring. These changes aim at increasing precision, minimizing bias and extending the accessibility of credits. In this paper, existing theoretical and empirical literature on the AI credit rating systems is discussed in conjunction with the effects on financial accessibility.

2.2 Theoretical Review

The concept of AI-driven credit scoring is rooted in several key theoretical models. **The Technology Acceptance Model (TAM)** framework, introduced by Davis (1989), explains how user perceptions shape the adoption of technology. Central to this model are two constructs:

· Perceived Usefulness (PU): The extent to which users believe a technology enhances their job performance.

· Perceived Ease of Use (PEOU): The degree to which users expect the technology to be free of effort.

In the context of AI-driven credit scoring, financial institutions assess the utility of these systems based on improved risk assessment and operational efficiency. Borrowers evaluate the ease of accessing credit based on the system’s transparency and user-friendly interfaces.

As to **Rogers' (2003) Diffusion of Innovations Theory**, an innovation's diffusion is influenced by its perceived relative benefit, compatibility, trialability, complexity, and observability. AI credit scoring systems give businesses a competitive edge by incorporating data from other sources, like social media activity and mobile purchases. In situations where data is scarce, these sources are especially relevant. Adoption is hindered, meanwhile, in places with inadequate digital infrastructure and low levels of technological literacy.

The Resource-Based View (RBV) paradigm states that companies can gain a competitive advantage through the strategic allocation of their resources. AI technologies can be a useful tool for financial institutions to reach underserved populations, reduce costs, and expedite decision-making (Barney, 1991).

2.3 Empirical Review

1. Case Studies from Africa In Kenya, mobile money platforms like M-Pesa have integrated AI driven credit scoring to assess creditworthiness based on transaction history and payment behaviors. Frost et al. (2019) reported that this approach increased microloan access for informal workers by 50%. Additionally, the proliferation of fintech startups, such as Tala and Branch, has demonstrated how AI can overcome barriers to credit access in rural areas.

2. Insights from Asia India provides a compelling example of AI-driven credit scoring. Kumar and Mishra (2021) examined the integration of machine learning algorithms with Aadhaar linked payment systems. The study revealed that these systems enhanced credit approval rates among low-income borrowers, reducing the dependence on collateral-based lending.
3. Challenges in Latin America A report by the Inter-American Development Bank (IDB, 2020) highlighted that while AI credit scoring improved financial inclusion in Latin America, issues such as algorithmic bias and data privacy concerns persisted. For instance, reliance on social media data raised ethical questions about data ownership and consent.

2.4 Illustrations

Region	AI Application	Impact	Challenges
Africa	Mobile money credit scoring	50% increase in microloan access	Limited digital literacy
Asia	Aadhaar-linked AI credit scoring	Improved credit approval rates	Data privacy concerns
Latin America	Social media-based credit scoring	Expanded borrower base	Algorithmic bias

Figure 1: AI-driven credit scoring systems in emerging economies

III. RESEARCH METHODOLOGY

3.1 Preamble
As machine learning and artificial intelligence (AI) have advanced, more inclusive credit scoring models that evaluate creditworthiness using a variety of data sources have been created. By examining data from several emerging economies, this study sought to determine how AI-driven credit scoring systems might enhance financial inclusion. To learn more about how well AI-based systems work to expand financial access, the study combined qualitative and econometric approaches. A major obstacle to obtaining financial services is the long-standing exclusion of substantial portions of the population from traditional credit scoring algorithms, especially those with little or no official credit histories.

3.2 Model Specification
To examine the effect of AI-driven credit scoring on financial inclusion, an econometric model was specified that incorporates both AI credit scoring metrics and financial inclusion indicators. The following empirical model was estimated:
$FIit = \alpha + \beta 1AIit + \beta 2Xit + \epsilon itF$
Where:
· *FIit* represents the level of financial inclusion in country iii at time ttt, measured by indicators such as the number of unbanked individuals, access to credit, and loan approval rates.
· *AIit* is the AI-driven credit scoring system variable for country iii at time ttt, which captures the extent to which AI-based credit scoring has been adopted in the financial sector.
· *Xit* represents a vector of control variables, such as GDP per capita, inflation rate, and financial sector development indicators, which could influence financial inclusion. · *ϵit* is the error term, capturing unobserved factors.
The dependent variable, financial inclusion *FIit*, was operationalized using indicators from the Global Financial Inclusion Index (Findex) and data from the World Bank. The AI-driven credit scoring system *AIit*, was measured through an adoption index, developed based on the penetration of AI credit scoring technologies within the financial institutions in each country. The study also controlled for macroeconomic variables such as income levels, economic growth, and inflation, as these factors are known to affect financial inclusion (Demirgüç-Kunt et al., 2018).

3.3 Types and Sources of Data
Both primary and secondary data were utilized in this study to assess the relationship between AI driven credit scoring systems and financial inclusion in emerging economies.
· **Primary Data:**
o Surveys and Interviews: Primary data were collected through surveys and semi structured interviews with financial institutions, fintech companies, regulatory bodies, and consumers in selected emerging economies. A total of 500 surveys were distributed across five countries: Nigeria, India, Brazil, South Africa, and Kenya. Key

stakeholders in the financial sector were also interviewed to understand the adoption and impact of AI in credit scoring.

o Case Studies: Case studies were conducted in each of the selected countries to provide in-depth insights into the implementation of AI credit scoring systems and their effects on financial inclusion.

· **Secondary Data:**

o Publications and Reports: Secondary data was gathered from publications issued by global institutions such as the Bank for International Settlements (BIS), the World Bank, and the International Monetary Fund (IMF). Additional background information and secondary measures of financial inclusion, like the proportion of adults with access to credit and mobile banking services, were supplied by these reports.

o Public Data Sets: Public data from the World Bank and the International Finance Corporation (IFC) were utilized, including information on financial access, credit market development, and economic conditions across the selected emerging economies.

3.4 Methodology

The study used a mixed-methods approach, integrating qualitative case study research with quantitative econometric analysis. While the qualitative component concentrated on investigating stakeholder perspectives and experiences, the quantitative study employed econometric modeling to evaluate the effect of AI-driven credit scoring systems on financial inclusion.

Econometric Analysis: The econometric analysis involved the estimation of the model specified in the previous section using panel data methods. Given the time-series nature of the data, a fixed effects model was chosen to control for unobserved heterogeneity across countries. The model was estimated using the following steps:

· Data Preprocessing: The data were cleaned, ensuring that missing values were handled and variables were standardized where necessary.

· Model Estimation: The fixed-effects model was estimated using the following equation: · $FIit = \alpha i + \beta 1AIit + \beta 2Xit + \epsilon it$

where αi is the country-specific intercept. The model was estimated using robust standard errors to address potential heteroscedasticity

· Diagnostics: Diagnostic tests such as the Breusch-Pagan test for heteroscedasticity, the Hausman test for model selection, and the Durbin-Watson test for autocorrelation were conducted to ensure the validity of the model.

o Results Interpretation: The key coefficient of interest was $\beta 1$, which measures the effect of AI-driven credit scoring on financial inclusion. A positive and significant coefficient would suggest that AI adoption in credit scoring systems contributes to increased financial inclusion. The model also allowed for an exploration of how control variables, such as income and financial sector development, interact with AI adoption in influencing financial inclusion.

Qualitative Analysis: The qualitative study supplemented the econometric analysis by shedding light on the perceptions of different stakeholders about AI credit rating systems. Data from case studies and interview transcripts were analyzed using thematic analysis. The following were important themes that came out of the qualitative analysis:

o The perceived benefits of AI-based systems in extending credit to underserved populations.

o The challenges faced by financial institutions in implementing AI-driven systems, such as data privacy concerns and regulatory barriers.

o Consumer perceptions of AI credit scoring, including concerns about fairness and transparency.

Ethical Considerations: Ethical considerations were strictly adhered to in the conduct of this research. Informed consent was obtained from all survey participants and interviewees. Confidentiality and anonymity were maintained for all data collected. Furthermore, the study ensured that all AI algorithms used for credit scoring adhered to ethical standards regarding data usage and decision-making transparency.

3.5 Results and Discussion

According to the econometric analysis, financial inclusion was positively impacted by AI-driven credit rating systems in a statistically meaningful way. The proportion of the population with access to formal credit increased in nations with higher adoption rates of AI credit scoring technology. Additionally, the qualitative results showed that by integrating alternative data sources, AI systems assisted in filling in the gaps in traditional credit scoring, which was especially advantageous for those without established credit histories.

IV. DATA PRESENTATION AND ANALYSIS

4.1 Preamble

In this section, the kind of analysis performed to assess the impact of conversational AI in credit scoring on financial inclusion in the few selected emergent economies is shown. Result interpretation involves data display, time series analysis, and Econometric model hypothesis testing. It would help define the link between the utilization of the AI tools in credit assessment and various measures of the financial Inclusion such as provision of credit, credit density, and demographics. Data was collected from consumers, regulatory bodies, fintech companies and financial institutions in five emerging markets. After fully discussing the findings, the data is presented in tabular form, bar graphs, pie chart and other statistical tools.

4.2 Presentation and Analysis of Data
In the dataset used for analysis, there are two main variables of interest: financial inclusion (FI), adoption of AI credit scoring (AI), and control variables like GDP per capita (GDP), inflation rate (INFL), and financial sector development (FSD). The primary data were gathered through surveys, interviews, and case studies, while the secondary data came from international organizations like the World Bank and IMF.
Table 1 below summarizes the descriptive statistics for the key variables used in the analysis:

Variable	Mean	Standard Deviation	Minimum	Maximum
Financial Inclusion (FI)	0.55	0.15	0.20	0.85
AI Credit Scoring Adoption (AI)	0.60	0.10	0.40	0.80
GDP per Capita (GDP)	3,500 USD	1,200 USD	1,200 USD	5,800 USD
Inflation Rate (INFL)	6.5%	2.1%	2.0%	12.5%
Financial Sector Development (FSD)	0.75	0.20	0.50	1.00

Table 1: Descriptive Statistics of Key Variables
The percentage of individuals who have access to credit, savings accounts, and formal financial services is the basis for the financial inclusion indicator (FI), a composite metric. An indicator measuring the degree to which financial institutions in the chosen nations use AI credit scoring systems serves as a representation of the adoption of AI credit scoring.

4.3 Trend Analysis
To examine trends over time, data were analyzed for each country individually. Figure 1 below shows the trend in AI adoption for credit scoring systems over the past five years, alongside the corresponding trend in financial inclusion.
Figure 1: Trend in AI Adoption and Financial Inclusion
As shown in Figure 1, there has been a steady increase in AI adoption for credit scoring systems, particularly after 2019. This coincides with a noticeable improvement in financial inclusion, especially in countries like India and Nigeria, where financial access was traditionally limited. Countries with higher AI adoption, such as Brazil and Kenya, have shown a more pronounced increase in financial inclusion over the period.

4.4 Test of Hypotheses
The econometric model used to test the hypotheses is specified as follows:
$FIit = \alpha + \beta 1AIit + \beta 2GDPit + \beta 3INFLit + \beta 4FSDit + \epsilon it$
Where:
· *FIit* represents financial inclusion,
· *AIit* is the adoption of AI-driven credit scoring systems,
· *GDPit* is GDP per capita,
· *INFLit* is the inflation rate,
· *FSDit* is the financial sector development index.
Using fixed-effects regression, we tested the following hypotheses:
1. **Hypothesis 1**: AI-driven credit scoring systems have a positive effect on financial inclusion. o $H0 : \beta 1 = 0$ (No effect of AI on financial inclusion)
o $H1 : \beta 1 > 0$ (AI positively impacts financial inclusion)
2. **Hypothesis 2**: Higher levels of financial sector development lead to greater financial inclusion.
o $H0 : \beta 4 = 0$ (No effect of financial sector development on inclusion)
o $H1 : \beta 4 > 0$ (Financial sector development promotes inclusion)

Table 2: Fixed-Effects Regression Results

Variable	Coefficient	Standard Error	t-Statistic	p-Value
AI	0.45	0.12	3.75	0.002
GDP	0.0002	0.00005	4.00	0.001
INFL	-0.12	0.05	-2.40	0.023
FSD	0.28	0.10	2.80	0.012

Table 2: Fixed-Effects Regression Results

The regression results provide strong evidence in support of both hypotheses: · The coefficient for AI ($\beta 1=0.45$) is positive and statistically significant, indicating that AI adoption for credit scoring is positively associated with financial inclusion.

· The coefficient for FSD ($\beta 4=0.28$) is also positive and significant, suggesting that a well developed financial sector further enhances financial inclusion.

The inflation rate (INFL) has a negative coefficient, suggesting that higher inflation is associated with lower financial inclusion, possibly due to its effect on financial stability and credit availability.

4.5 Discussion of Findings

The data analysis results validate the beneficial effects of AI-powered credit scoring systems on financial inclusion in emerging economies, and the fixed-effects regression results show that AI adoption is a significant predictor of better financial access, especially for those with little or no formal credit history. The positive correlation between AI adoption and financial inclusion is in line with the study's expectations and prior research that suggests AI can provide more inclusive credit assessments by using alternative data sources (Fuster et al., 2019). The report also emphasizes how crucial the growth of the financial sector is to advancing financial inclusion. Financially advanced nations are better equipped to use AI technologies to provide credit to underprivileged groups. In order to optimize the advantages of artificial intelligence (AI) in credit scoring, governments and policymakers must give equal weight to technology innovation and financial sector reforms. Given the inverse relationship between inflation and financial inclusion, attempts to increase financial access may be hampered by macroeconomic volatility. The advantages of adopting AI may be outweighed by people's diminished purchasing power and more difficulty obtaining financing during periods of high inflation. All things considered, the results show that AI-powered credit scoring systems hold promise for improving financial inclusion in developing nations, but their implementation depends on a favorable legal and economic climate.

V. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

This paper aimed at establishing how credit scoring systems driven by artificial intelligence enhances financial access in the emerging market. Likely both main and secondary research information was used; main data was obtained from administering questionnaires and semi structured interviews to the selected financial institutions, fintech firms, financial regulators and consumers in the five selected countries. Besides, to consider the impact of adopting AI to financial inclusion the study also relied on a regression model with an addition control variable of GDP per capita, Inflation rate and the developing state of financial sector. Based on the findings made in this research, the intended credit scoring results through the application of an Artificial Intelligence integrated system means enhanced provision of financial services. In particular, the use of AI had been introduced to put into practice the reform of credit convenience, especially for the ones who cannot obtain credit records. Moreover, also the improved status of the Financial sector in the country enhanced the favourable impact of AI on financial and economic inclusion under the constraint of inflation.

5.2 Conclusion

Therefore, based on the findings of the present study it may be concluded that has high potential the application of Ai based credit scoring systems in order to bring enhancement to the credit access within emerging economy. AI systems are capable of using unconventional data generates credit standing of customers that do not quality for the conventional financial sectors, for instance those who do not have any credit history. Besides, the study provides evidence that the application of AI improves financial intermediary in the countries with established financial context, thus confirming the Institution matters hypothesis. This research also envisions some challenges associated with the development of the AI technologies, which the emergent economy faces, including data protection legislation and digital literacy. However these challenges are out weighed by the potential benefits especially in as much as the doors of financial products avenues are opened. The results note that there is a great potential of making the AI more fair in the formats of credit scoring.

5.3 Recommendations

Based on the findings of this study, the following recommendations are made to policymakers, financial institutions, and fintech companies to maximize the benefits of AI-driven credit scoring systems for financial inclusion:

1. Governments and regulatory bodies should create clear and supportive regulations for the use of AI in financial services. These regulations should ensure transparency, protect consumer data, and address potential biases in AI models to ensure fairness and inclusivity.
2. Financial literacy programs should be introduced to educate consumers about AI-based credit scoring systems, their benefits, and how they work. Increasing consumer understanding of AI systems can foster trust and acceptance, particularly among underserved populations.
3. Policymakers should encourage the use of alternative data sources to supplement traditional credit scores. This can help improve the accuracy and inclusivity of AI-driven credit scoring models, particularly for individuals without formal credit histories.
4. Financial institutions, fintech companies, and regulators should collaborate to improve the development and deployment of AI-driven credit scoring systems. Joint efforts can help overcome technical, regulatory, and infrastructural barriers and ensure that AI systems are used effectively to promote financial inclusion.
5. Governments and private sector players should invest in the necessary technological infrastructure to support the widespread adoption of AI in credit scoring. This includes improving internet connectivity, providing access to digital tools, and ensuring that AI technologies are accessible to all segments of society.

AI-driven credit scoring systems have the potential to significantly enhance financial inclusion in emerging economies, but their success requires a concerted effort from all stakeholders to address the challenges and maximize the opportunities presented by these technologies.

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APPENDIX

Survey Questions for Consumers

1. **Demographic Information**

o Age:
o Gender:
o Level of education:
o Employment status:
o Monthly income (optional):
o Location (Country/City):

2. **Access to Financial Services**

o Do you have access to a bank account? (Yes/No)
o Have you ever applied for a loan or credit facility? (Yes/No)
o If yes, did you receive the loan/credit? (Yes/No)
o How would you rate your overall experience with traditional credit scoring systems? (Very Satisfied, Satisfied, Neutral, Dissatisfied, Very Dissatisfied)

3. **Awareness and Experience with AI-Driven Credit Scoring**

o Are you aware of AI-driven credit scoring systems? (Yes/No)
o Have you ever been assessed for credit using an AI-driven credit scoring system? (Yes/No)
o If yes, how did you feel about the process? (Positive, Neutral, Negative) o In your opinion, how transparent is the AI credit scoring process? (Very Transparent, Somewhat Transparent, Not Transparent)

4. **Perceptions of Fairness and Accessibility**

o Do you think AI-based credit scoring is fair compared to traditional credit scoring methods? (Yes/No/Not Sure)
o Do you feel that AI credit scoring systems are more inclusive, especially for individuals without traditional credit histories? (Yes/No/Not Sure)
o Have you noticed any changes in your access to financial products (e.g., loans, credit cards) since AI-based credit scoring systems were implemented? (Yes, Access Increased / No Change / Access Decreased)

5. **General Impact of AI on Financial Inclusion**

o Do you think AI-driven credit scoring systems contribute to greater financial inclusion in your country? (Yes/No/Not Sure)
o Would you trust AI-driven credit scoring to determine your creditworthiness in the future? (Yes/No/Not Sure)
o What improvements would you suggest for AI-based credit scoring systems?

Appendix II

Semi-Structured Interview Questions for Financial Institutions, Fintech Companies, and Regulatory Bodies

1. **Financial Institutions**

o Can you describe your experience with implementing AI-driven credit scoring systems within your institution?
o What types of data (traditional vs. alternative) does your institution use in AI credit scoring models?
o How do you assess the accuracy of AI-driven credit scoring compared to traditional models?
o Have you encountered any challenges in integrating AI credit scoring with existing credit assessment processes?
o In your opinion, how has AI-based credit scoring affected access to credit for underserved populations?
o What steps are being taken to ensure transparency and fairness in AI credit scoring models?
o How has the regulatory environment affected the adoption of AI in credit scoring?

2. **Fintech Companies**

o What role does your company play in the development and deployment of AI-driven credit scoring systems?
o How do you source alternative data for your AI credit scoring models, and how do you ensure its accuracy?
o How has AI credit scoring impacted the accessibility of credit for individuals who lack a formal credit history?
o What technological innovations have you introduced to improve AI credit scoring systems?
o From a business perspective, what are the advantages and challenges of implementing AI-driven credit scoring systems in emerging economies?
o What feedback have you received from consumers regarding AI-driven credit scoring?

3. **Regulatory Bodies**

o What regulatory frameworks or guidelines govern the use of AI in credit scoring within your jurisdiction?

o How do you ensure that AI credit scoring models do not lead to discriminatory practices or biases in credit assessments?
o What measures are being taken to ensure that consumers' data privacy is protected in AI credit scoring systems?
o In your view, how do AI credit scoring systems contribute to or hinder financial inclusion in your country?
o Are there any particular challenges or risks associated with AI-based credit scoring that regulators should address?
o How do you see the future of AI in the financial sector, particularly in terms of expanding access to financial services for the underserved?