

The promise of Artificial Intelligence in Finance, CBDC: case for Developing Economies (SSA)

Personal Account by Olivier Atangana

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Author's Note

This report is a personal account of the presentation by Kombe Kaponda, as interpreted and compiled by Olivier Atangana. It reflects my understanding and perspective on the topics discussed during the Ai Central Banking event.

1 Introduction

Kombe Kaponda set the stage by emphasizing the transformative potential of AI in the financial sector, particularly for developing economies. He highlighted the significant impact AI can have on financial services, underscoring the unique opportunities and challenges faced by these regions. Kaponda's introduction aimed to provide a comprehensive overview of the intersection between AI and finance, focusing on its relevance and potential benefits for emerging markets, especially in the African context.

2 Background

Kaponda provided a comprehensive historical overview of AI in finance. This included the evolution of AI from early statistical models in the 1900s to the advanced techniques seen today. He particularly highlighted key developments in AI as they pertain to finance, like statistical modeling, early research in the 1960s, and significant milestones in AI's integration into finance over the decades, leading up to the present era of deep learning and advanced AI applications. This historical context set the stage for understanding AI's current and potential impact on finance in developing economies, especially in the context of digital currencies and mobile financial services.

3 Central Bank Digital Currencies (CBDCs)

The presentation emphasized the role of CBDCs in modern financial systems, particularly in developing economies. Kombe Kaponda discussed the emerging role of CBDCs in global financial systems, with a focus on their potential in developing economies. He explored the current research and initiatives around the world, emphasizing the need for these digital currencies to be interoperable and standardized, particularly for regional and cross-border trade. This discussion highlighted the importance of CBDCs in modernizing financial infrastructures and their potential to enhance financial inclusion and economic development in these regions.

4 AI in Mobile Financial Services

Kaponda explored how AI could enhance mobile financial services, which have revolutionized financial inclusion in Sub-Saharan Africa. Kombe Kaponda discussed leveraging AI to enhance mobile financial services in developing economies. He focused on using AI to provide deeper insights into consumer behavior, aiding financial institutions in offering more tailored services. Kaponda proposed using AI to analyze vast amounts of data from mobile financial services for better decision-making in areas like credit provision. He also emphasized AI's role in enhancing financial literacy, suggesting AI-driven educational tools and personalized assistance to improve financial understanding and inclusion in regions with high mobile usage but limited banking infrastructure.

5 Data Analytics and AI

The focus shifted to how central banks, as knowledge institutions, can utilize AI for insights and foresight from vast data repositories. Kombe Kaponda emphasized the role of central banks as knowledge institutions that can greatly benefit from AI-driven data analytics. He highlighted how AI can be utilized to gain insights and foresight from the vast data repositories held by central banks. The focus was on how this data, when analyzed effectively using AI techniques, can inform more accurate decision-making and policy formulation in the financial sector, particularly in the context of developing economies.

6 Interoperability and Standards

The importance of interoperability in CBDCs for facilitating trade and the role of AI in ensuring efficient and secure transactions were highlighted. he emphasized the importance of creating interoperable and standardized Central Bank Digital Currencies (CBDCs) for enhancing regional and cross-border trade in developing economies. He discussed the need for common protocols and standards to facilitate seamless trade and financial transactions. Kaponda highlighted how interoperability is crucial for maximizing the efficiency and utility of CBDCs, especially in regions where different countries are developing their own digital currencies.

7 AI for Financial Inclusion

Kaponda stressed the potential of AI in advancing financial inclusion, including its use in financial literacy programs and user onboarding. Kombe Kaponda emphasized how AI can significantly advance financial inclusion in developing economies. He proposed utilizing AI to make financial services more accessible and tailored to individual needs, especially in regions with high mobile penetration but limited traditional banking infrastructure. Kaponda discussed using AI to interpret vast data from mobile services for improved financial decision-making, such as credit scoring. He also highlighted the potential of AI in enhancing financial literacy, suggesting AI-driven tools to educate and guide users, making finance more inclusive and approachable.

8 Challenges and Considerations

Kaponda addressed challenges such as cybersecurity, ethical AI usage, and the need to avoid biases in AI algorithms. Kombe Kaponda highlighted various challenges associated with implementing AI in finance for developing economies. Key challenges included cybersecurity, ensuring the ethical use of AI, and avoiding biases in AI algorithms. Kaponda stressed the importance of designing AI systems that are secure, transparent, and unbiased. He also discussed the need for robust digital infrastructure to support these advanced technologies and ensure their safe and effective application in the financial sector.

9 Final Thoughts

Kaponda concluded by underscoring AI's potential to revolutionize finance in developing economies, especially in coupling with digital currencies and mobile financial services. The presentation provided a comprehensive view of how AI can be a game-changer in finance for developing economies, acknowledging the challenges and potential solutions. He highlighted how AI, coupled with mobile data and digital currencies, can enhance financial inclusion and facilitate seamless, low-cost cross-border transactions. Kaponda stressed the importance of creating resilient digital infrastructure to support these

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