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Title: AI as a Catalyst for Inequality Reduction and Inclusive Economic Growth in Emerging Markets: Opportunities, Challenges, and Policy Pathways

Abstract
Artificial Intelligence (AI) holds transformative potential for emerging markets, serving as a powerful catalyst for inequality reduction and inclusive economic growth by enabling leapfrogging of traditional development barriers through applications in agriculture, finance, healthcare, education, and public services. This technology promises enhanced productivity, broader access to opportunities, and more equitable outcomes for marginalized populations. However, AI also risks exacerbating existing inequalities via skill-biased technological change, persistent digital divides, labor market disruptions, and benefits concentrated among urban elites, large firms, and high-skilled workers. This paper examines the mechanisms through which AI can promote inclusive growth—defined as economic expansion that creates opportunities for all societal segments while reducing poverty and disparities—across diverse contexts in Africa, Asia, and Latin America. Employing a mixed-methods approach, the study integrates comprehensive literature synthesis, sectoral case studies (such as AI-driven smallholder advisory systems, algorithmic financial inclusion tools, and localized diagnostic platforms), and a conceptual framework combining endogenous growth theory with Sen's capabilities approach, moderated by the "Four Cs" factors: Connectivity, Capabilities (skills), Capital, and Governance. Key findings suggest that targeted, context-specific interventions—particularly "Small AI" or frugal solutions operating on limited data, edge devices, and low-connectivity environments—can generate substantial impacts. With appropriate policies, AI adoption could contribute 1–2 additional percentage points to annual GDP growth while supporting measurable reductions in Gini coefficients through improved smallholder incomes, expanded credit access, and enhanced human capital development. The paper underscores the necessity of strategic investments in digital infrastructure, inclusive reskilling programs prioritizing women, youth, and rural populations, ethical governance frameworks to mitigate biases, and strengthened public-private-South-South partnerships. International cooperation is vital to bridge the emerging AI divide and prevent a "Next Great Divergence." By prioritizing human-centered and localized deployment, emerging markets can harness AI not merely for efficiency gains but for shared prosperity and accelerated sustainable development.

Keywords: Artificial Intelligence, Inclusive Growth, Inequality Reduction, Emerging Markets, Small AI, Digital Divide, Sustainable Development, Frugal Innovation.