Artificial Intelligence Driven Islamic FinTech Solutions for SME Growth and Financial Inclusion in Emerging Economies: Opportunities, Challenges and Policy Implications

By

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Abstract

The emergence of Artificial Intelligence (AI) and Islamic Financial Technology (FinTech) has created significant opportunities for enhancing Small and Medium Enterprises (SMEs) development and promoting financial inclusion in emerging economies. SMEs contribute substantially to employment generation, poverty reduction, innovation, and economic growth, yet limited access to finance remains a major challenge. Conventional financial institutions often exclude many SMEs due to collateral requirements, high transaction costs, and inadequate credit information. This conceptual paper examines the role of AI driven Islamic FinTech solutions in addressing these challenges through ethical, technology-based, and Shari'ah compliant financial services. The study explores how AI applications such as machine learning, predictive analytics, blockchain technology, automated credit scoring, and digital payment systems can improve the efficiency, transparency, and accessibility of Islamic financial products for SMEs. The paper highlights opportunities associated with Islamic digital finance, including improved financial inclusion, reduced operational costs, enhanced risk management, and wider outreach to underserved populations. It also identifies key challenges such as regulatory uncertainty, cybersecurity risks, limited digital literacy, weak technological infrastructure, and Shari'ah governance concerns. The paper concludes that effective policy frameworks, institutional collaboration, and investment in digital infrastructure are essential for maximizing the potential of AI-driven Islamic FinTech in fostering sustainable SME growth and inclusive economic development in emerging economies.

Keywords: Artificial Intelligence, Islamic FinTech, SMEs, Financial Inclusion and Emerging Economies.

Note: Mode of presentation preferred is physical and may paper fall in to sub-theme No. 8 (Fintech, AI and SMEs development.)