

"A man is
great by
deeds, not by
birth"
-Chanakya

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**An Ethical AI Framework for Responsible Banking Innovation :
Subsuming Indian Dharma, Advaita-Vedanta and Karma Philosophy**

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An Ethical AI Framework for Responsible Banking Innovation : Subsuming Indian Dharma, Advaita-Vedanta and Karma Philosophy

Abstract:

There is a significant improvement in banking services in terms of efficiency, personalised product offering and risk management due to the rapid integration of Artificial Intelligence (AI). While the deployment of AI in banking is a welcome step, the uninhibited adoption also raises ethical issues related to fairness, transparency, accountability, and inclusivity. In order to address this dilemma, an approach is recommended that is culturally rooted in Responsible Innovation (RI) that integrates contextual ethical values with technological developments. This paper proposes a conceptual–qualitative ethical framework encompassing – Dharma-Advaita-Vedanta-Karma (DAK) – for responsible AI deployment in the Indian banking sector. The study introduces a value-alignment mapping model, which transforms absolute ethical principles into operational governance practices of AI by applying a hermeneutic interpretation of Indian philosophical traditions and analysis of banking use cases of AI thematically.

The DAK ethical framework brings the element of traditional values in the Indian context while focusing on explainability, bias mitigation, human oversight, privacy-conscious data processing, and continuous ethical review as integral design and governance mechanisms. Also, the framework is operationalised in banking domains such as credit scoring, fraud detection, personalised financial services, customer service automation, and risk assessment. Instead of empirical analysis, this conceptual framework supports illustrative and interpretive analysis, thereby providing a globally compatible and culturally sound model for governing AI ethically. It is found that in financial innovation, trust, inclusivity, and long-term sustainability can be enhanced by inculcating Indian ethical philosophies in the AI process and also complementing existing international AI ethical standards. The findings conclude that the DAK framework can provide users, bankers, regulators and tech providers with methods to internalise Indian ethics within their AI systems, from the design phase to deployment.



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