Prismatic Horizons
Journal of Social Science and Humanities
www.phjssh.lexarcheus.com

Vol.-04, Issue-01 (Jan-Mar, 2026)

AI-Powered Credit Assessment in FinTech: Loan Approval Efficiency and Customer Satisfaction in Financial Institutions

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https://doi.org/10.5281/zenodo.20569063

ARTICLE INFO

Article History

Received	08 Jan, 2026
Revised	18 Feb, 2026
Accepted	25 Mar, 2026
Available Online	30 Mar, 2026

ARTICLE ID

PHJSSH0401002

KEYWORDS

Accountability, Artificial Intelligence, Credit Assessment, Customer Satisfaction, Ethical, Fintech, Governance, Transparency

OPEN ACCESS

ABSTRACT

The rapid advancement of financial technology (FinTech) has profoundly reshaped lending operations in financial institutions, with artificial intelligence (AI) emerging as a pivotal enabler of automated credit assessment and streamlined loan approval processes. AI-powered credit scoring systems employ advanced machine learning algorithms and analyze extensive volumes of structured and unstructured data to assess borrower creditworthiness with greater accuracy, consistency, and efficiency than traditional methods. This study investigates the role of AI-driven tools in enhancing loan approval efficiency and improving customer satisfaction within financial institutions operating in a digital financial ecosystem. Using a quantitative research design, primary data were collected from customers who have engaged with AI-based lending services. The study focuses on how AI-driven credit assessment significantly accelerates loan processing, enhances the accuracy and consistency of lending decisions, and promotes transparency in approval procedures. Despite these operational and experiential benefits, the study highlights challenges related to algorithmic bias, data privacy, and the limited explainability of automated decision-making systems. These challenges emphasize the importance of implementing robust governance structures, ethical AI practices, and regulatory oversight to ensure accountability, fairness, and transparency in digital lending. By demonstrating that AI-powered credit assessment can simultaneously improve operational efficiency and enhance customer satisfaction, this study contributes to the growing body of FinTech literature while fostering higher levels of customer satisfaction and trust. The study's findings will provide practical insights for financial institutions seeking to integrate AI responsibly and effectively into their lending operations, highlighting the balance between technological efficiency and ethical considerations in AI-enabled credit services.

1. INTRODUCTION

1.1 Background and Contextual Setting

Financial institutions across the globe are increasingly adopting artificial intelligence (AI)-driven solutions, thereby transforming traditional lending and credit assessment processes (Babaei & Zhang, 2023). The rapid growth of digital technologies has significantly reshaped financial services, prompting institutions to focus on their impact on key operational areas, including loan approval efficiency, customer satisfaction, transparency, and overall organizational performance (Ali et al., 2025).

Artificial intelligence enables financial institutions to analyze and process large volumes of data quickly and accurately, thereby improving credit assessment and accelerating loan decision-making processes (Akinmoluwa et al., 2023). AI also supports the delivery of personalized financial products and services tailored to customer needs. Furthermore, AI-driven systems enhance transparency in decision-making, contributing to higher levels of customer trust and satisfaction. Building customer trust has become essential for the long-term sustainability and competitiveness of financial institutions in the digital era (Bahadori & Smith, 2024).

The integration of AI within financial technology (FinTech) platforms represents a structural transformation in the delivery of financial services (Gomber et al., 2018). Traditional lending models primarily relied on manual verification procedures, limited historical credit information, and comparatively lengthy processing times, which often reduced efficiency and accuracy. In contrast, AI-driven systems employ machine learning and advanced data analytics techniques to evaluate borrowers' creditworthiness more effectively and consistently (Babaei & Zhang, 2023).

These technologies enable institutions to analyze extensive datasets rapidly while maintaining consistency in credit evaluation. AI-based systems also incorporate alternative data sources, such as transaction histories, digital behavior, mobile payment records, and utility bill payments, to assess borrower reliability (Fuster et al., 2022). By utilizing diverse sources of information, AI-powered credit assessment tools provide a more comprehensive and inclusive evaluation of borrowers. This not only enhances the accuracy of credit decisions but also improves access to formal financial services for underserved and unbanked populations (World Bank, 2022).

1.2. Role of Public and Private Sector Banks

Public and private sector banks play a significant role in providing financial assistance through various loan products, including personal loans, home loans, education loans, and agricultural loans (Reserve Bank of India [RBI], 2023). Public sector banks particularly contribute to financial inclusion by extending credit facilities to rural and semi-urban populations. Private sector banks, on the other hand, are increasingly focusing on digital transformation by offering online loan applications, streamlined verification processes, faster disbursement, attractive loan schemes, and flexible repayment options. Due to greater convenience and speed, customers often prefer private sector banks for rapid loan approvals (KPMG, 2023).

In recent years, FinTech companies have significantly transformed the traditional credit market by introducing innovative digital services such as app-based credit cards, virtual cards, and Buy Now, Pay Later (BNPL) facilities (Deloitte, 2024). These companies use data analytics and AI technologies to understand customers' spending patterns and provide personalized financial solutions, thereby improving customer engagement and satisfaction. Additionally, FinTech applications provide real-time spending insights that help users monitor expenses and manage budgets more effectively.

Major FinTech companies offering credit-related services include Google Pay, MobiKwik, Paytm, Groww, MoneyTap, KreditBee, and ZestMoney. These platforms offer services such as instant personal loans, BNPL services, EMI-based financing, merchant loans, and AI-driven credit assessment systems. Their growing adoption reflects the increasing demand for digital lending solutions and AI-enabled financial services (PwC, 2023).

The expansion of digital lending platforms has also increased the importance of borrower trust in AI-driven loan processing systems. Trust plays a crucial role in determining customers' willingness to adopt digital financial services, especially when loan approvals are based on automated systems rather than traditional human evaluation (Gefen et al., 2003).

1.3. Challenges Faced by Customers and Bankers Regarding AI Tools in Loan Approval

i. **Lack of Understanding of AI Technology**: One of the major challenges associated with AI-based loan approval systems is the limited understanding of AI technology among customers and bankers. AI systems analyze large amounts of financial and behavioral data to automatically determine whether a loan application should be approved or rejected. Due to the technical complexity of these systems, customers often struggle to understand the reasons behind loan decisions. Similarly, bankers who lack adequate training in AI systems may struggle to interpret AI-generated outputs. This lack of understanding may reduce confidence in AI-driven decision-making processes (Rai, 2020).

ii. **Data Privacy and Security Concerns**: AI systems require access to substantial amounts of personal and financial information, including income details, credit histories, transaction records, and spending behavior. Customers may therefore express concerns regarding the collection, storage, and use of their personal data by financial institutions. Additionally, cyberattacks and data breaches pose significant risks to sensitive customer information. Consequently, financial institutions must implement strong cybersecurity measures and comply with data protection regulations to maintain customer trust and ensure data privacy (European Banking Authority, 2021).

iii. **Risk of Bias and Incorrect Decisions**: AI-based credit assessment tools rely heavily on historical datasets to make lending decisions. If these datasets contain biases or inaccuracies, the AI systems may produce unfair or discriminatory outcomes (O'Neil, 2016). Certain applicants may be erroneously rejected despite being able to repay loans, thereby affecting customer satisfaction and institutional reputation. To address this issue, financial institutions must regularly monitor, evaluate, and update AI algorithms to ensure fairness, transparency, and accuracy in loan approval processes (Binns, 2018).

iv. **Reduced Human Interaction in Banking Services**: The increasing automation of loan approval procedures has reduced direct interaction between customers and banking personnel. Although automation improves efficiency and reduces processing time, some customers still prefer personal assistance and guidance during loan applications, particularly when dealing with complex documentation and eligibility requirements.

Reduced human interaction may therefore negatively influence customer experience and perceived service quality (Parasuraman et al., 2005).

v. **Technical and Implementation Challenges**: Financial institutions may encounter several technical challenges while implementing AI-based loan approval systems. These challenges include high implementation costs, system integration difficulties, infrastructure limitations, and the need for continuous technological upgrades. In addition, bank employees require appropriate training to manage and operate AI systems effectively. Without sufficient technical expertise and institutional support, banks may struggle to fully utilize the benefits of AI-enabled lending technologies (Davenport & Ronanki, 2018).

vi. **Dependence on Technology**: AI-driven lending systems are highly dependent on digital infrastructure, software reliability, and internet connectivity. System failures, technical disruptions, or software malfunctions may delay loan processing activities and negatively affect both customers and financial institutions. Therefore, banks and FinTech companies must establish reliable technological infrastructure and backup systems to ensure uninterrupted operations and service continuity (Laudon & Laudon, 2022).

1.4.Problem Definition and Research Motivation

Problem Definition

Traditional credit assessment methods used by many financial institutions are often time-consuming and heavily dependent on manual verification and limited credit scoring models. These processes may lead to delays in loan approval, inconsistent risk evaluation, and difficulty in handling large volumes of customer data. As a result, many potential borrowers, especially those with limited credit history, face challenges in accessing financial services. Such inefficiencies can also reduce customer satisfaction and underscore the need for more advanced, technology-driven credit assessment systems.

1.5.Motivation for the Study

With the rapid growth of financial technology, artificial intelligence has emerged as a powerful tool to improve the efficiency and accuracy of credit evaluation. AI-based systems can analyze large datasets, automate decision-making, and significantly reduce loan processing time. This not only enhances operational efficiency for financial institutions but also improves the customer experience by providing faster, more reliable services. Therefore, studying AI-powered credit assessment is important to understand its impact on the approval process and customer satisfaction in modern financial institutions.

2. RESEARCH OBJECTIVES

i. To assess the impact of AI-powered credit assessment tools on the efficiency and timeliness of loan approval processes in financial institutions.
ii. To empirically examine the relationship between AI-based credit assessment tools and customer satisfaction with digital lending services.
iii. To evaluate the extent of transparency, explainability, and perceived fairness in AI-based credit scoring systems used for lending decisions.
iv. To examine the impact of AI-based credit scoring systems on customers' perceptions of transparency in lending decisions within financial institutions.

3. RESEARCH HYPOTHESES

Hypothesis Set 1: AI and Loan Approval Efficiency

$H0_1$ (Null Hypothesis): The adoption of AI-powered credit assessment systems does not exert a statistically significant effect on loan approval efficiency within financial institutions.

$H1_1$ (Alternative Hypothesis): The adoption of AI-powered credit assessment systems exerts a statistically significant positive effect on loan approval efficiency within financial institutions.

Hypothesis Set 2: AI and Customer Satisfaction

$H0_2$ (Null Hypothesis): There is no statistically significant relationship between the use of AI-based credit assessment tools and customer satisfaction with digital lending services.

$H1_2$ (Alternative Hypothesis): There is a statistically significant positive relationship between the use of AI-based credit assessment tools and customer satisfaction with digital lending services.

Hypothesis Set 3: AI and Transparency/Fairness

$H0_3$ (Null Hypothesis): AI-based credit scoring systems do not significantly affect customers' perceptions of transparency and fairness in lending decisions.

$H1_3$ (Alternative Hypothesis): AI-based credit scoring systems significantly enhance customers' perceptions of transparency and fairness in lending decisions.

4. SCOPE OF THE STUDY

The present study focuses on the application of Artificial Intelligence (AI) in credit assessment and loan approval processes within financial institutions. It covers different types of loans, including personal loans, consumer loans, and small-business loans that are processed through digital lending platforms. The study primarily examines the role of AI-powered credit assessment tools in improving the efficiency, accuracy, and timeliness of loan approval procedures. In addition, it explores customer satisfaction with digital lending services, particularly in relation to transparency, service quality, and the overall lending experience. The study is limited to AI-based lending practices and does not include other banking operations unrelated to credit assessment and loan approval systems.

5. SIGNIFICANCE OF THE STUDY

The study is significant because it helps in understanding how AI-powered credit assessment systems improve the efficiency of loan approval processes compared to traditional methods used in financial institutions. It also examines the impact of AI-based credit scoring systems on customer satisfaction, particularly in terms of speed, accuracy, transparency, and service quality in digital lending services. Furthermore, the study highlights important challenges associated with AI-driven lending systems, such as algorithmic bias, data privacy concerns, and the lack of explainability in automated decision-making processes. The findings of the study may also help financial institutions assess the level of customer trust and acceptance toward AI-based credit decisions and support the development of more reliable, transparent, and customer-friendly digital lending platforms.

6. LITERATURE REVIEW

6.1. Conceptual and Empirical Review of Prior Studies

The study followed a narrative review approach. The key findings from the literature review are presented below:

Chen, Y., & Li, X. (2023) *Artificial Intelligence in Credit Risk Assessment: Implications for FinTech Lending—Journal of Financial Technology and Innovation.* The study focused on how machine learning algorithms analyze large volumes of financial and behavioral data to evaluate borrower creditworthiness. The findings indicated that AI-driven credit scoring models significantly improve approval efficiency by reducing processing time and enhancing prediction accuracy. The research also highlighted that faster loan decisions and transparent assessment processes positively influence customer satisfaction and trust in digital financial services.

FinTech Magazine. (2024), *FinTech Magazine – January 2024.* BizClik Media Group. *AI-Powered Lending: Machine Learning Models in FinTech Credit Underwriting.* This report explored how FinTech companies use AI algorithms to analyze large volumes of financial and behavioral data for credit assessment. The study found that AI-driven underwriting models improve loan approval rates and reduce human bias in lending decisions. It also highlighted that faster processing and personalized services increase customer satisfaction.

Aslam and Aslam (2025) proposed an AI-based credit scoring model, *Social Credit: AI-Powered Credit Scoring Using Social Behavioral Data,* that integrates social and behavioral data to assess borrower creditworthiness. The study demonstrated that the model improves prediction accuracy and transparency in credit decisions. The researchers also emphasized that explainable AI systems increase customer trust and satisfaction with lending services.

Lee, Kim, Choi, Park, Lyoo, and Park (2025), in *Structured Debate Improves Corporate Credit Reasoning in Financial AI,* studied advanced AI models used for corporate credit evaluation. Their research highlighted that multi-agent AI reasoning systems enhance decision-making accuracy and provide better interpretation of financial risk. These improvements support faster and more reliable loan approval processes in financial institutions.

Kubam (2025), in *Agentic AI for Autonomous, Explainable, and Real-Time Credit Risk Decision-Making,* explored the concept of agent-based artificial intelligence in credit risk assessment. The study found that AI-driven autonomous systems enable real-time credit evaluation and improve operational efficiency in lending institutions. The research also emphasized the importance of explainability in AI models to ensure transparency and customer confidence.

Kozodoi, Jacob, & Lessmann (2021), in *Fairness in Credit Scoring: Assessment, Implementation, and Profit Implications,* examined the issue of algorithmic bias in AI-based credit scoring models and proposed the use of fairness-aware machine learning techniques to address it. The study highlighted that traditional models may unintentionally discriminate against certain groups due to biased historical data. By incorporating fairness constraints during model development, the authors demonstrated that bias can be significantly reduced. Importantly, their findings show that improving fairness does not lead to a substantial decline in predictive accuracy or profitability. The study concludes that financial institutions can achieve equitable lending decisions while maintaining operational efficiency.

Huang et al. (2019) investigated the application of AI in credit risk assessment and loan approval processes, focusing on its impact on operational efficiency. The study demonstrated that machine learning-based credit evaluation systems significantly reduce loan approval timelines by automating risk assessment and decision-making processes. The authors further emphasized that AI-driven automation not only accelerates decision-making but also improves overall operational efficiency by reducing manual intervention and administrative costs.

Chen et al. (2020), in their study published in the *Journal of Financial Services Marketing,* explored the role of AI in enabling personalization in digital lending. The findings revealed that AI-driven credit assessment systems allow financial institutions to offer customized loan products aligned with customers' financial profiles and repayment capacities. The study concluded that personalization is a key value-added feature of AI-driven lending platforms that directly improves the customer experience.

The Fairness, Accountability, and Transparency (FAT) Conference (2020) highlighted critical ethical and governance challenges associated with the use of AI in financial services. The conference proceedings emphasized that algorithmic decision-making systems in lending are often susceptible to bias, opacity, and limited accountability. The lack of transparency in automated credit decisions undermines customer trust and raises regulatory and ethical concerns.

Ribeiro, Singh, and Guestrin (2024) contributed to the growing body of research on explainability and fairness in automated loan scoring systems. Their study addressed the importance of making AI-driven credit models transparent and interpretable for both regulators and customers. The authors argued that a lack of explainability in automated lending decisions poses significant challenges to regulatory compliance, institutional accountability, and customer trust. This issue is particularly critical in credit markets, where loan rejections can have adverse consequences on individuals' financial opportunities. The study underscored that explainable and fair AI models are essential for sustaining customer confidence and ensuring the ethical adoption of AI in lending practices.

Garcia and Patel (2025), in *AI-Based Credit Scoring and Customer Experience in FinTech Platforms, The Journal of Banking and Financial Technology, 9*(3), 112–126, explored the impact of AI-based credit scoring systems on customer experience on FinTech platforms. Their study emphasized that artificial intelligence enables financial institutions to deliver faster, more personalized loan services. The research also found that automated credit evaluation systems reduce human bias and improve transparency in lending decisions. As a result, customers experience greater satisfaction due to quick loan approvals and improved reliability of FinTech lending services.

Nelson (2025), in *Predictive Analytics in FinTech: A Data-Driven Approach to Credit Scoring Using AI,* examined the effectiveness of AI-based predictive analytics models in credit scoring and compared them with traditional techniques. The study found that machine learning models significantly improve accuracy and precision in assessing borrower creditworthiness. By analyzing large, diverse datasets, these models improve risk prediction and reduce the likelihood of defaults. The research also highlights that AI-driven systems enable faster and more efficient decision-making in financial institutions. Overall, the study concludes that predictive analytics enhances both the reliability and efficiency of loan approval processes.

7. THEORETICAL FOUNDATION

7.1. Underpinning Theories

i. Expectation–Confirmation Theory (ECT) – Richard L. Oliver (1980)

According to this theory, customer satisfaction occurs when the actual service performance meets or exceeds customer expectations.

Related to AI-powered credit assessment:

Expectations from the customers' side: Efficient documentation, quick decisions, and fair criteria.

Financial services from the bankers' side: Paperless work, processing time, communication, and decision-making.

Customer satisfaction: Personalized financial services.

The theory suggests that when customer expectations are fulfilled through effective financial services, customer satisfaction increases; otherwise, customers may become dissatisfied.

7.2. Technology Acceptance Model (TAM) – Fred Davis

The Technology Acceptance Model explains how users accept and use new technology.

Key Factors:

Perceived Usefulness – AI systems help financial institutions make faster and more accurate credit decisions.

Perceived Ease of Use – AI tools simplify loan assessment processes.

Related to: This theory helps explain how FinTech applications have transformed the operations of bank employees and customers in credit assessment. Financial institutions adopt AI-based credit assessment systems because they improve efficiency, accuracy, and decision speed.

8. METHODOLOGY

8.1. Research Design

Descriptive research is appropriate for providing a detailed understanding of respondents' characteristics, perceptions, and experiences regarding AI-driven lending services. The analytical component enables the examination of relationships between key variables such as AI attributes (speed, accuracy, transparency, and fairness) and customer satisfaction. The study follows a descriptive-analytical research design. It examines how AI-powered credit assessment tools are used in financial institutions. The study also analyzes their role in improving lending efficiency and customer satisfaction.

8.2. Study Context

AI-based credit assessment and lending systems improve operational efficiency by automating decision-making and streamlining loan approval workflows.

Automated systems help process loans faster. They reduce human errors and improve accuracy. These systems also help financial institutions lower their operational costs. Because of this, banks can increase their lending activities with minimal hiring costs and without investing heavily in infrastructure. AI-driven systems also allow real-time credit analysis. They enable faster approvals and quicker fund disbursement. This improves overall service quality and customer satisfaction. It also gives digitally advanced financial institutions a competitive advantage.

However, despite these benefits, the adoption of AI in lending also introduces challenges related to algorithmic bias, explainability, data privacy, and regulatory compliance. Addressing these concerns is essential to ensure the ethical, transparent, and trustworthy use of AI in financial services.

8.3. Data Sources and Data Collection Procedures

The study is based on both primary and secondary data sources. Primary data for the study were collected through a structured questionnaire. The questionnaire was designed to understand respondents' opinions and perceptions of AI-enabled lending services. It included questions on loan sanctioning, transparency in the lending process, fairness in decision-making, accuracy of credit assessment, trust in AI systems, and overall customer satisfaction.

The questionnaire consisted mainly of Likert-scale items, in which respondents indicated their level of agreement or disagreement with specific statements. This type of scale helped collect measurable responses, making it easier to perform quantitative analysis and statistical interpretation of the data. Secondary data were also used to support the study. Secondary information was collected from published research articles, academic journals, industry reports, regulatory publications, and other relevant literature related to FinTech and banking. These sources helped develop the theoretical framework, understand previous research findings, and strengthen the literature review of the study.

8.4. Sampling Technique and Sample Characteristics

The study used network sampling, also known as snowball sampling, to select respondents. In this technique, the researcher first identified a few initial participants who had experience with AI-based loan processing systems. These respondents included individuals who were familiar with or had used AI-enabled lending or digital loan approval services.

After collecting responses from the initial participants, they were asked to refer or recommend other individuals who also met the study's criteria. These referred participants were then contacted and invited to take part in the survey. In this way, the sample gradually expanded, similar to a snowball effect, with each respondent leading to several other potential respondents. This sampling method was useful because it helped the researcher reach participants who have specific knowledge or experience with AI-based credit assessment systems. It also made it easier to gather responses from a wider network of individuals who are connected through professional or social relationships within the financial and banking ecosystem. This technique was considered appropriate due to the difficulty in directly identifying a comprehensive sampling frame of customers who have specifically experienced AI-driven credit assessment systems. The target population comprises customers who have availed themselves of loans through AI-enabled digital platforms offered by banks and FinTech firms. The study is confined to selected financial institutions operating in Bangalore, where digital lending adoption is relatively high. A sample of 120 respondents was selected for the study.

8.5. Delimitations of the Study

The study includes the following delimitations:

i. The study includes only respondents whose loan applications have been approved; those whose applications were rejected are not included.
ii. The sample size is limited to 120 respondents, which may not fully represent the entire population.
iii. The study is confined to a selected number of private and public sector banks and does not cover all banking institutions.
iv. The study is based on customer responses, which may be subject to personal bias or perception errors.

8.6. Instruments and Statistical Measures

A structured questionnaire was administered through online survey platforms and direct digital communication channels. The instrument was pre-tested to ensure the clarity, relevance, and reliability of the items. Necessary modifications were incorporated based on pilot feedback to improve content validity.

8.7. Variables of the Study

i. Independent Variables: AI-based credit assessment attributes include independent variables such as speed of approval, accuracy of credit scoring, transparency of decision-making, reduction of bias, and approval efficiency.

ii. Dependent Variables: Customer satisfaction dimensions include overall satisfaction, perceived fairness, perceived speed, and trust in the lending platform.

8.8. Data Analysis Techniques

The collected data were coded and analyzed using statistical software such as SPSS. Descriptive statistics (percentages, means, and standard deviations) were used to summarize respondents' profiles and perceptions. Inferential statistical tools, such as Pearson's correlation and regression analyses, were applied to examine relationships between AI-based credit assessment attributes and customer satisfaction. Where applicable, hypothesis testing was conducted at the 5% significance level.

8.9. Validity and Reliability

a. Validity

In this research, the questionnaire was prepared based on key factors such as loan approval efficiency, transparency, fairness, accuracy, trust, and customer satisfaction related to AI-powered credit assessment. Previous research articles, journals, and FinTech studies were reviewed while designing the questions. Experts and academicians also examined the questionnaire to ensure that the questions were clear and relevant to the study.

b. Reliability

In this study, reliability was assessed using Cronbach's alpha. A value of 0.70 or higher indicates good reliability. The results showed that the questionnaire items were consistent and reliable for analyzing the impact of AI-powered credit assessment on loan approval efficiency and customer satisfaction in financial institutions.

8.10. Ethical Considerations

- **Voluntary Participation:** Respondents participated in the study voluntarily without any pressure or coercion.
- **Informed Consent:** Participants were informed about the purpose of the study before providing their responses.
- **Confidentiality:** The information provided by respondents was kept confidential and used solely for academic research purposes.
- **Use of Data for Research Only:** The data obtained from respondents were used strictly for analysis related to the research study.
- **Avoidance of Bias:** The study was conducted objectively without manipulation or misrepresentation of data.

9. ANALYSIS AND INTERPRETATION

Table 1 –Age group of Respondents

Age Group	Number of Respondents
18-25 Years	66
26-35 Years	28
36-45 Years	17
45 and above Years	9
Total	120

From the above table, it is found that 66 respondents are in the age group of 18 to 25 years. This age group indicates that most respondents are in the younger age group.

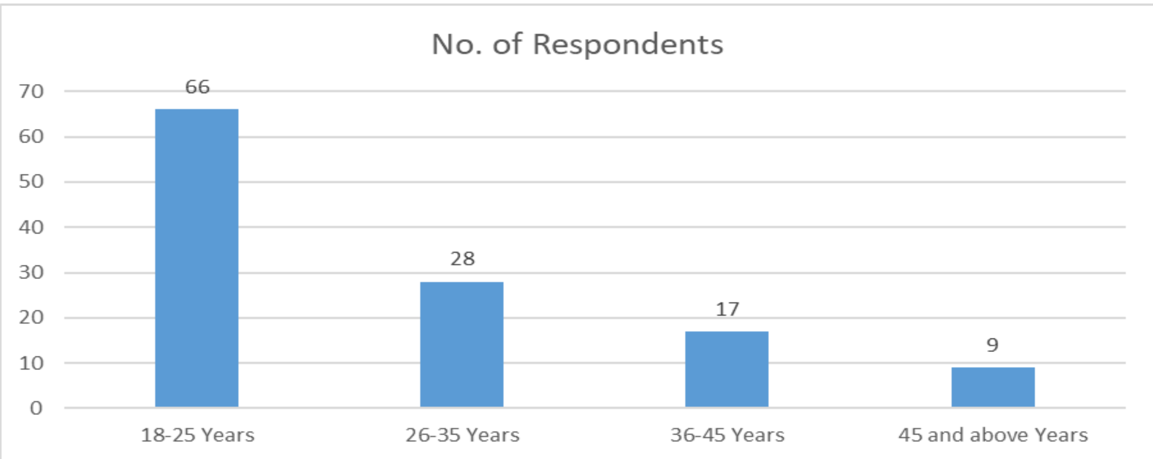

Figure 1 –Age group of Respondents

Prismatic Horizons: Journal of Social Science and Humanities
ISSN: 2583-9284
Vol. 04, No. 01, Jan-Mar, 2026
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Table 2: Types of banks opted by respondents for loan approval

Timely support and transparency regarding loan approval.	Number of Respondents'	Percentage
Agree	65	54
Disagree	17	14
Neutral	20	17
Strongly Agree	18	15
Grand Total	120	100

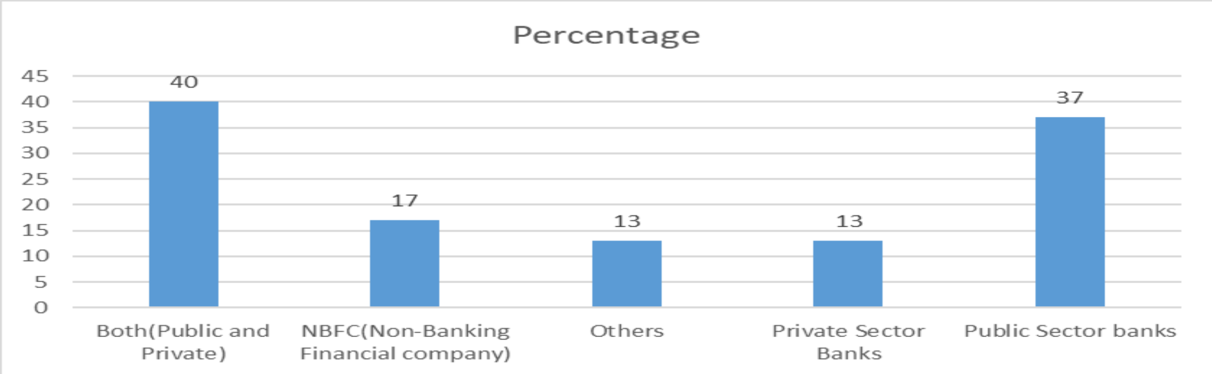
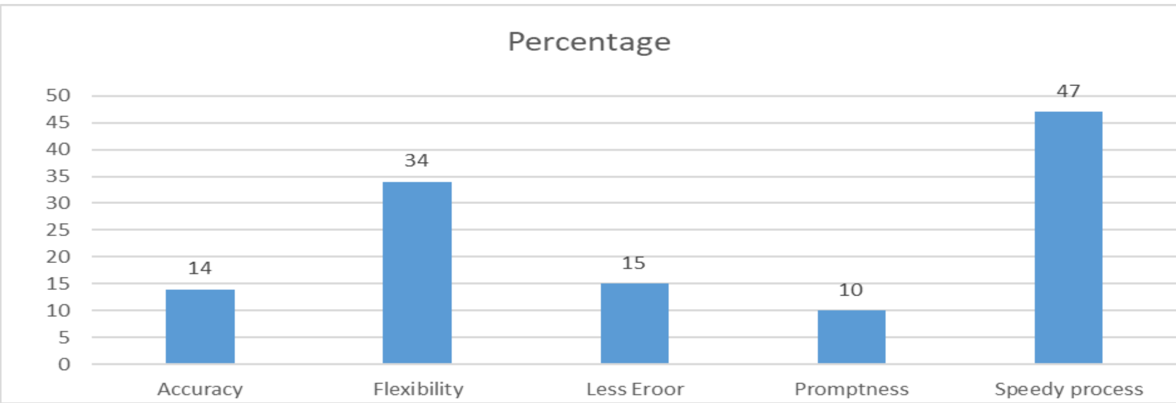


Figure 2: Types of banks opted by respondents for loan approval

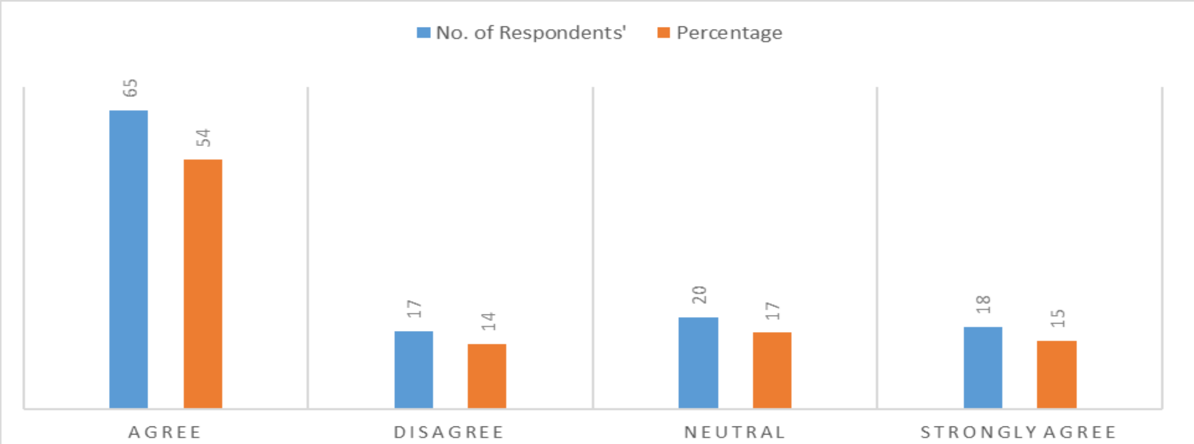
The figure above indicates that 40% and 37% have preferred both public and private sector banks for their loan processes. This shows that only a very small number of people prefer. The figure above indicates that 40% and 37% have preferred both public and private sector banks for their loan processes. This shows that only a very small number of people prefer NBFCs, the private sector, and other financial institutions for loans. The figure above indicates that 54% of respondents agreed that timely support and transparency have been included in the AI-based loan approval process.

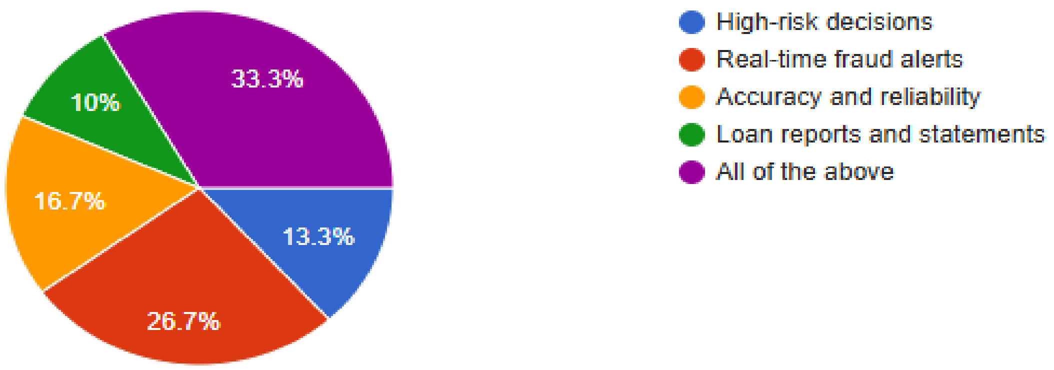
Figure 3: Respondents' opinion towards timely support and transparency regarding AI-based loan approval



Prismatic Horizons: Journal of Social Science and Humanities
ISSN: 2583-9284
Vol. 04, No. 01, Jan-Mar, 2026
www.phjssh.lexarcheus.com

Figure 4: Respondents' perception of AI and FinTech services in risk management





The figure shows that high-risk decisions, Real-time fraud alerts, accuracy and reliability, and loan reports and statements (33.3%) have all enabled customers to benefit from loan processing and risk management.

Table 3: Respondents' opinion towards personal and financial data security in an AI-based loan system

Personal and financial data is secured in AI-based loan systems.	Number of Respondents'	Percentage (%)
Neutral	35	29
Strongly Agree	20	17
Strongly Disagree	12	10
To some extent	53	44
Grand Total	**120**	100

Prismatic Horizons: Journal of Social Science and Humanities
ISSN: 2583-9284
Vol. 04, No. 01, Jan-Mar, 2026
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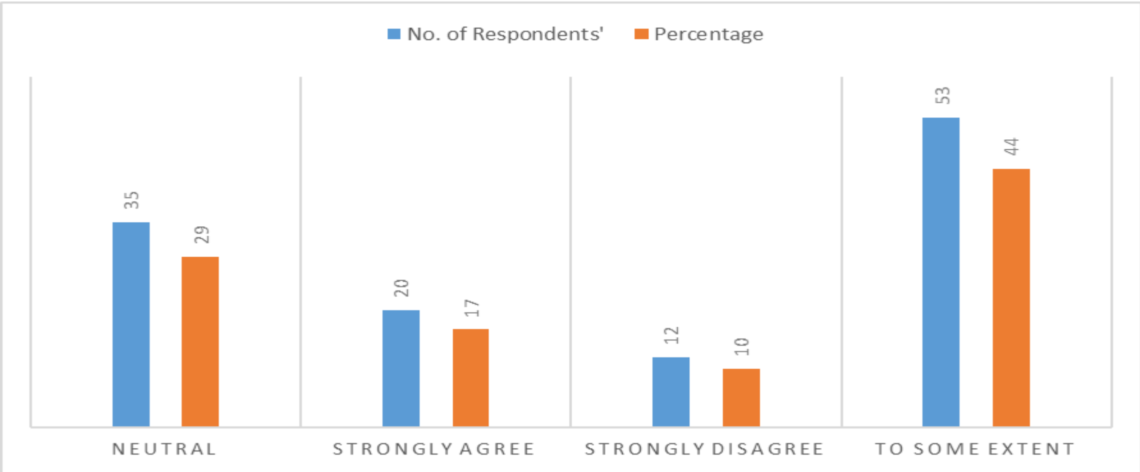
Figure 5: Respondents' opinion towards personal and financial data security in an AI-based loan system



From the analysis, it can be interpreted that the majority (44%) felt that only a moderate level of personal and financial data security is provided in the AI-based loan system, while 29% remained neutral regarding whether adequate personal and financial data security is provided in the AI-based loan system.

10. FINDINGS

10.1. Descriptive Statistics:

In this research study, descriptive statistics were used to analyze customer satisfaction with AI-based loan approvals. The analysis shows the average satisfaction score, percentage of satisfied customers, and the distribution of responses.

Various tools, such as tables, graphs, percentages, and averages, were used to present the data clearly. Statistical measures such as the mean, median, standard deviation, and the Pearson correlation coefficient were also used to analyze the relationship between the variables.

10.2. Main Results Corresponding to Objectives and Hypothesis

- Fast credit assessment shows strong positive correlations with:
  - Overall satisfaction *($r = 0.529, p < 0.01$)*
  - Fairness *($r = 0.534, p < 0.01$)*
  - Perceived speed *($r = 0.630, p < 0.01$)*
  - Trust *($r = 0.572, p < 0.01$)*
- Accuracy is positively and significantly associated with:
  - Overall satisfaction *($r = 0.533, p < 0.01$)*
  - Fairness *($r = 0.482, p < 0.01$)*
  - Speed *($r = 0.460, p < 0.01$)*
  - Trust *($r = 0.469, p < 0.01$)*

- Transparency exhibits significant positive correlations with:
  - Overall satisfaction *($r = 0.470, p < 0.01$)*
  - Fairness *($r = 0.508, p < 0.01$)*
  - Speed *($r = 0.381, p < 0.01$)*
  - Trust *($r = 0.575, p < 0.01$)*
- Reduction of bias is significantly related to:
  - Overall satisfaction *($r = 0.460, p < 0.01$)*
  - Fairness *($r = 0.443, p < 0.01$)*
  - Speed *($r = 0.430, p < 0.01$)*
  - Trust *($r = 0.452, p < 0.01$)*
- Approval efficiency shows strong associations with:
  - Overall satisfaction *($r = 0.500, p < 0.01$)*
  - Fairness *($r = 0.465, p < 0.01$)*
  - Speed *($r = 0.555, p < 0.01$)*
  - Trust *($r = 0.545, p < 0.01$)*

Variables	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
1. Fast Processing	1									
2. Accuracy	.570**	1								
3. Transparency	.565**	.491**	1							
4. Reduces Bias	.497**	.429**	.499**	1						
5. Approval Efficiency	.576**	.464**	.479**	.483**	1					
6. Overall Satisfaction	.529**	.533**	.470**	.460**	.500**	1				
7. Fairness	.534**	.482**	.508**	.443**	.465**	.559**	1			
8. Speed	.630**	.460**	.381**	.430**	.555**	.614**	.575**	1		
9. Trust	.572**	.469**	.575**	.452**	.545**	.568**	.606**	.659**	1	

Note: N = 120.

Correlation is significant at the 0.01 level (2-tailed).

The correlation results show that speed has the strongest overall influence among the variables. It exhibits strong relationships with trust (r = 0.659) and overall satisfaction (r = 0.614). This indicates that faster loan processing improves customer trust and satisfaction in AI-based lending systems.

Fast processing is also strongly associated with approval efficiency (r = 0.576) and perceived speed (r = 0.630). This highlights the importance of timely and efficient decision-making in lending operations. Among the perceptual factors, fairness shows strong correlations with trust (r = 0.606) and overall satisfaction (r = 0.559). Overall, both speed and fairness are key factors influencing customer satisfaction and trust.

10.3. Summary of Findings

The results show that AI-based credit assessment systems improve several key factors, including speed, accuracy, transparency, fairness, and loan approval efficiency. These improvements help increase customer satisfaction, trust, and perceptions of fairness and efficiency in the lending process.

The analysis also shows strong relationships between certain variables. For example, fast loan processing is strongly associated with customers' perceptions of speed (r = 0.630). Similarly, customer trust is strongly related to perceived speed (r = 0.659).

It indicates that faster loan processing plays an important role in building customer trust and improving overall satisfaction with AI-based lending systems. The findings further reveal a significant positive correlation between AI service quality and user satisfaction.

11. DISCUSSIONS

11.1 Interpretation of Results

The majority of respondents stated a strong preference for both public and private sector banks because they provide more efficient FinTech-enabled services and support in the loan approval process.

The higher share of personal loans indicates that many borrowers prefer quick and easily accessible credit facilities. FinTech platforms and digital lending systems make it easier to apply for and receive these loans quickly.

The findings also indicate moderate use of business, education, and home loans, reflecting the diverse financial needs of borrowers. However, these types of loans usually require more documentation and longer approval procedures, which may reduce their frequency compared to personal loans.

The findings further suggest that the majority of respondents perceive banking and FinTech services as effective in improving loan processing. The higher positive response reflects increased customer satisfaction, convenience, and efficiency enabled by digital platforms.

The chart indicates that a majority of respondents have a positive perception of FinTech-enabled loan processing. Overall, the results reflect a favorable attitude toward the role of FinTech in enhancing loan processing efficiency and convenience.

The figure shows that high-risk decision-making, real-time fraud alerts, accuracy and reliability, and loan reports and statements (33.3%) have enabled customers to benefit from improved loan processing and risk management.

The results highlight that efficiency, speed, and accuracy are the primary drivers of customer satisfaction in digital loan services.

11.2. Suggestions to Stakeholders

i. Banks should strengthen their digital infrastructure to enhance efficiency, speed, and accuracy in loan processing. Since customers show a strong preference for private-sector and combined banking services, public-sector banks must adopt advanced FinTech solutions to remain competitive. Greater emphasis should be placed on AI-driven credit assessment, automated documentation, and real-time loan tracking systems.

ii. FinTech firms should continue innovating in digital loan processing by improving user-friendly platforms and secure digital interfaces.

iii. Regulatory authorities should establish comprehensive guidelines to govern digital lending and AI-based credit evaluation systems. Policies must ensure data security, transparency, ethical use of AI, and consumer protection.

iv. Customers should enhance their financial literacy regarding digital lending platforms and online banking services. They are encouraged to carefully evaluate loan terms, compare digital offerings, and practice responsible borrowing to avoid excessive indebtedness. Awareness regarding data privacy and cybersecurity measures should also be promoted.

11.3. Future Research Directions

i. Future studies may expand the sample size and include respondents from different geographical regions to improve the generalizability and reliability of the findings.
ii. Researchers may include customers whose loan applications were rejected to better understand the challenges, perceptions, and transparency issues associated with AI-driven loan approval systems.
iii. Comparative studies between public sector banks, private sector banks, and FinTech companies may provide deeper insights into the effectiveness of AI-based credit assessment practices.
iv. Future research may incorporate the perspectives of bankers, policymakers, AI developers, and financial regulators to obtain a more comprehensive understanding of digital lending ecosystems.
v. Advanced statistical tools such as regression analysis, structural equation modeling, or machine learning techniques may be applied to identify causal relationships and predictive factors influencing customer satisfaction and loan approval efficiency.
vi. Further studies may explore ethical concerns associated with AI-powered lending systems, including algorithmic bias, data privacy, explainability, and cybersecurity risks.
vii. Researchers may also examine the long-term impact of AI and FinTech adoption on financial inclusion, customer trust, and sustainable growth in the banking sector.

12. RESEARCH IMPLICATIONS

12.1. Theoretical Implications

The study contributes to the existing body of knowledge on financial technology and digital banking by explaining how FinTech influences customer perceptions of loan processing. It supports theories related to technology adoption, innovation diffusion, and service quality in the banking sector. The findings highlight that the integration of artificial intelligence and digital platforms is transforming traditional banking practices and improving operational efficiency. This research also strengthens academic understanding of how technology-driven financial services enhance customer satisfaction and reshape modern banking systems.

12.2. Methodological Implications

The study demonstrates the effectiveness of a structured questionnaire and survey method in examining customer perceptions of FinTech-enabled loan processing. The use of charts, percentage analysis, and systematic data presentation helps clearly interpret respondents' behavior and attitudes. This methodological approach provides a useful framework for future researchers interested in studying digital banking, financial technology adoption, or customer satisfaction in financial services. Further studies may adopt larger sample sizes, comparative analyses, or mixed research methods to gain deeper insights.

12.3. Practical Implications

The study's findings offer practical insights for banks, FinTech companies, and policymakers to improve digital lending services. Financial institutions can enhance their loan processing systems by focusing on speed, efficiency, accuracy, and user-friendly digital platforms. FinTech firms can develop innovative solutions that simplify loan applications and strengthen risk assessment and fraud detection mechanisms. In addition, regulators can use these insights to design policies that ensure transparency, security, and consumer protection in digital financial services. Overall, the study helps stakeholders understand how technology can be effectively utilized to improve customer experience in loan processing.

12.4. Research Gap

The research gaps identified in this study may help future researchers conduct further investigations in the following areas:

1. The study may be extended to include customers whose loan applications were rejected under different circumstances.
2. There appears to be a significant gap in the loan closing procedures experienced by customers.

13. LIMITATIONS OF THE STUDY

- The study was conducted using a relatively small sample size, which may limit the generalizability of the findings to a broader population.
- The research was confined to a specific geographical region, thereby restricting the applicability of the results to other regions or countries with different financial and technological environments.
- The study relied primarily on self-reported responses from customers, which may be influenced by personal perceptions, response bias, or subjective interpretation.
- The perspectives of financial institutions, technology developers, and AI system designers were not included in the study, as the research focused mainly on customer experiences.
- The statistical analysis was limited to correlation analysis, which restricts the ability to identify deeper causal relationships among the study variables.
- The study did not examine the long-term impact of AI-powered credit assessment systems on financial inclusion, customer loyalty, or institutional profitability.

14. FUTURE RESEARCH DIRECTIONS

14.1. Methodological Enhancement

1. The sample may be extended to include customers whose loan applications were rejected, which may provide valuable insights for future research studies.
2. Transparency should be prioritized to ensure that customers are informed about the reasons for the approval or rejection of their loan applications.
3. Future studies may focus on applying various statistical tools to examine additional aspects of the loan approval process.

15. CONCLUSION

The present study investigated the impact of AI-powered credit assessment systems and FinTech-enabled loan processing on loan approval efficiency and customer satisfaction within financial institutions. The results demonstrate that the adoption of artificial intelligence and digital financial technologies has considerably transformed traditional lending practices by enhancing the speed, accuracy, transparency, and convenience of the loan approval process.

The study indicates that customers increasingly prefer financial institutions that offer FinTech-based services because they provide quicker and more efficient loan approvals. The implementation of automated credit evaluation systems and digital platforms has significantly reduced processing time, minimized manual intervention, and improved operational efficiency in lending activities. This shift toward technology-oriented financial services reflects customers' growing reliance on digital banking solutions.

The findings further reveal that personal loans are the most preferred category among respondents due to their simplified documentation procedures and faster approval processes. In comparison, home loans, education loans, and business loans involve more complex verification procedures and extended approval timelines, which may influence customer preference and satisfaction.

The study also emphasizes that AI and FinTech technologies play a vital role in strengthening risk management and improving decision-making through real-time fraud detection, accurate credit evaluation, and effective data analytics. These technological advancements contribute to greater institutional transparency and help build customer trust in digital financial services.

Despite the numerous operational benefits of AI-driven lending systems, issues related to algorithmic bias, data privacy, and limited explainability continue to pose significant challenges. Therefore, financial institutions must implement ethical AI practices, establish robust governance frameworks, and ensure compliance with regulatory standards to maintain fairness, accountability, and transparency in digital lending operations.

In conclusion, the study confirms that AI-powered credit assessment and FinTech-enabled lending systems have substantially enhanced operational efficiency and customer satisfaction in the banking sector. As financial institutions continue to integrate advanced digital technologies into their operations, the future of loan processing is expected to become increasingly customer-focused, transparent, efficient, and technologically advanced.

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