

ABSTRACT

Innovative credit scoring (ICS) systems leveraging advanced technologies, such as artificial intelligence (AI) and alternative data, have emerged as transformative tools to enhance financial inclusion. This research examines the role of ICS in improving access to financial services, particularly for underserved populations, while addressing the ethical challenges. By exploring current ICS studies, the study identifies opportunities for enhancing scoring decisions. The findings highlight that ICS systems, offer greater results, fostering trust between financial institutions and consumers. However, ethical risks, including transparency, fairness, privacy, and accuracy remain significant challenges. Financial institutions are encouraged to adopt new technologies such as blockchain and AI for data security and to create tailored credit products using alternative data sources. The research also emphasizes the need for continuous innovation and collaboration among stakeholders to bridge gaps in ethical governance and technological implementation. This study underscores the ethical implications of Innovative Credit Scoring (ICS), revealing its potential to drive financial inclusion while emphasizing the critical need for a better implementation to address concerns regarding, transparency, fairness, privacy, and accuracy.

Keywords: Innovative Credit Scoring, Financial Inclusion, Alternative Data, Ethical Considerations



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GADJAH MADA

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Caroline Natasha Amartya Wawor, Ahmad Zaki, S.E., M.Acc., Ph.D.
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