

Leveraging Digital Technologies for Financial Inclusion: An Empirical Analysis of SME Financing in Emerging Economies

HARSH DESAI, SHWETA LOONKAR
KARISHMA DESAI

Abstract: While digital financial technologies (DFTs) are spreading faster in emerging markets the proof is limited to the mechanisms that make AI-based credit tools increasingly efficient at improving affordability for most people and enabling regulatory environments. This study uses a Partial Least Square Structural Equation Modelling (PLS-SEM) method which is available in SmartPLS 4 software and contains data involving 150 experts in the banking sector, executives in the FinTech sector, credit analysts, and financial advisors of SMEs in emerging economies, selected purposefully for only this study. The measurement model showed great dependability and accuracy for each construct (Cronbach's Alpha: 0.843–0.901; Composite Reliability: 0.863–0.925; Average Variance Extracted: 0.564–0.713) and HTMT ratios were consistently below 0.20, confirming high discriminant validity. The results of the structural model showed that the direct path from R1 to R2 was negative ($\beta = -0.196$, $R^2 = 0.038$), as was the direct path from R2 to R3 ($\beta = -0.071$, $R^2 = 0.005$), this transpired in a positive indirect path from R1 to R3 ($\beta = 0.014$), exactly what we see happening with AI in hard to enter situation where the scale of roll out and barrier awareness are positively related. Model fit indices were acceptable (SRMR = 0.064, NFI = 0.866). A post-hoc power analysis revealed that this pathway (R2→R3) had a critical underpowering (achieved power = 22.0%). This enabled me to understand it was suggesting that 1,220 respondents were a minimum needed to make a solid conclusion about the relationship between these two variables. The study gives a backed up three-construct measurement framework for fintech access research and shows we should expand the study internationally. The best way to do that would be using the longitudinal study design to figure out the real path AI finance adoption, easier access, and shifting regulations in emerging economies.

Keywords: AI-Driven Credit Assessment, Emerging Economies, FinTech Barrier Reduction, PLS-SEM, Regulatory Policy Framework, SME Financial Inclusion.

Harsh Desai (harshddesai25@gmail.com) JBCN Oshiwara International, Mumbai
Shweta Loonkar (shwetaloonkar@gmail.com) MPSTME, NMIMS University, Mumbai
Karishma Desai (karishmamihirdesai@gmail.com) S.P Jain Global School of Mgmt, Mumbai,
<https://orcid.org/0009-0009-5171-9588>

Introduction

Financial technology (FinTech) and financial inclusion have become increasingly significant to alleviate poverty, reduce income inequality and promote economic growth. Multiple research studies have focused on studying the role of digital financial services in promoting financial access and economic development [1]. Traditionally lenders were using simple finance tools that were ineffective and due to that SMEs were facing problems in repaying their loans as well as getting startup capital. Much research emphasizes on the important role of non-numerical factors like human capital in reducing the natural information that is hidden about SMEs. The discoveries from the research show a planned basis for leveraging finTech and digital innovation to develop sustainable SME financing [2]. This can also be shown when analysing these entrepreneurial finance practices the research gives important perception as to how digital innovation can be used to foster SME growth. In addition, older banking models and their limitations have led SMEs to FinTech alternatives as shown in Fig. 1, to address the essential fund needed. Some research even emphasizes how FinTech is improving funding and mimicking financial inclusion with newer, rising markets. Furthermore, FinTech helps massively in the economic ecosystem [3].

Although structural and digital sophistication provide an adverse effect, AI deployment clearly shows individual knowledge, and digital adaptability heavily increases the adoption outcome. Several scholarly works focus on evaluating the impact of AI's vitality on environmentally sustainable SMEs and show that the amount an enterprise is prepared is directly proportional to success. Notably various studies have identified good leadership and proper technical support are critical factors to help organizations from just using the AI in an ethical manner to an aim to create financial inclusivity and mitigate the risk out of wealth polarization, leading us to a path that leverages digital innovation and narrows the gap connecting the SMEs in the context of emerging economies [4].

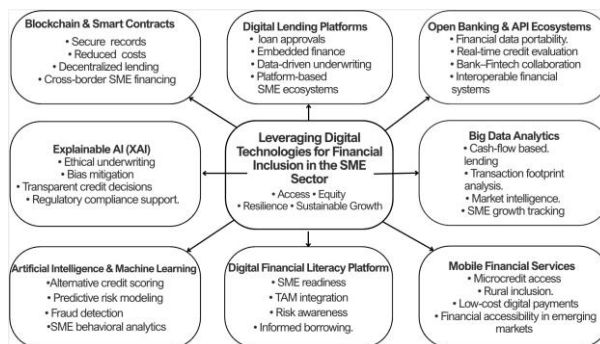


Fig. 1. Leveraging Digital Technologies for Financial Inclusion in the SME Sector.

A few models investigating the repercussions of this are: TAM which stands for Technology Acceptance Model and is used to evaluate the impact of it on accessible Fintech driven performance on SMEs. A few high impact studies highlighted how SMEs data have found merging these technologies heavily improves the demand side financial literacy to adapt more towards technology. These results showed a directional path for

FinTech performance. Some research supports and advises for refining supply side service security and hold on to efficiently using digital innovation to connect the gaps and leading us towards sustainable growth within emerging economies. [5] Another model is the RFT model which stands for Random Forest Tree modelling. It is to analyse universal availability of financial digital services and how they help economic growth become faster, it was mainly BRICS. It showed exceptional predictive capacity of AI-driven methods over the normal standards of the econometric model and the research, and it also provides a strong framework connecting the digital divide as well as decreasing income inequality. The data showed SME digitization is 57% meanwhile access to alternative finance is 38% as the main way of growth it outperforms most traditional economic indicators. [6] An alternative is also using PESTEL analysis which stands for Political, Economic, Social, Technological, Environmental and Legal. This method highlights how operational activities now accelerate acceptance; a significant discrepancy is there within the SME specific barriers and large enterprises frameworks. The statistics finds 27 implementation challenges for AI within the SMEs with information deficiencies, elevated finances and digital inadequacy. These give a planned basis to leverage digital innovation enhancing SME endurance and economic contribution in environments which have scarce resources. These statistics provide a rigid backbone and clear directions using FinTech to help SMEs become stronger, secure and give more to the economy. In addition, research emphasizes on the procedure plans and programs specifically about the budget and financial education. This is to close the voids in technology and aid more SMEs to use FinTech [7].

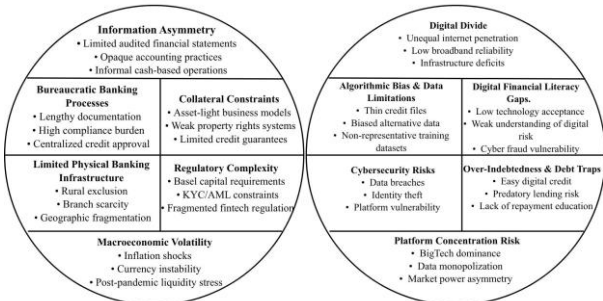


Fig. 2. Structural & Institutional Challenges and Technological & Digital Barriers.

Moreover, the findings show how mobile banking is an important leader towards better performance beating and demolishing older ways mentioned in Fig. 2 of high bureaucratic banking costs. It analysed the data from 385 SMEs for different countries. Linear regression clearly shows that digital FinTech tools improve service quality and accessibility. By using account opening within the current system. Showing how merging digital literacy and user centric platform developments make FinTech better in emerging economies [8]. It shows financial services and advanced technology when they get the humongous impact on SME credit scoring and FinTech inclusion. Fintech might be addressing the difficulties that are in the normal world and how it promotes economic growth but the combination of it with supply changes has not been researched on. It is also finding out about the new trends meanwhile

showing the gaps within the voids of the AI-driven credit assessment. It shows the framework of policy makers to leverage the innovation for sustainable SME financing. [9]

To conclude, after combining the data for 50 studies, we can figure out the vital factors for success like workforce development, purposeful alliances, etc reducing issues caused by the scarce and limited resources and lack of data in growing economies. Much research reveal how AI lead FinTech helps more SMEs access financial services closing voids within the information shown in Fig. 2 when mentioning information asymmetry in the middle of the customers and banks. The research investigates how the merging of AI leads FinTech, particularly the machine learning to refine SME business functions, evaluating the chance someone will repay the loan and predict the future cash inflow. This leads us towards a guiding blueprint on leveraging FinTech and digital innovation propelling us to the growth and systematic durability of SMEs. [10]

One study shows an extensive analysis of the existing academic publications on digital financial ecosystems, financial inclusion models, SME financing barriers, and Digital facilitation of the market activities in developing economies. A few of the publications discuss the conceptual foundations drawn from financial intermediation theory, information asymmetry theory and technology adoption models locate the analysis amidst larger and extensive literature. Another part of the study builds the related hypotheses, supported by the guiding model. This bridges the adoption of digital technologies, institutional enablers, as well as SME's access to finance. Another part highlights the measurement validation procedures, specific research methodology, sampling strategy, research design, construct operationalization and the specification of the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach which is used for data driven testing. Meanwhile the continuation of the publication provides the observed results. It includes examination of the measurement and structural models, robustness analysis, hypothesis testing results, and a discussion of the conceptual and strategic contributions and insights on promoting FinTech driven financial accessibility. Concluding with synthesising the key contributions, presenting the managerial implications, acknowledging limitations.

Literature Review

The changing capacity of digital lending to connect the SME liquidity gap, identifying an "inclusion paradox" where platforms many of the times, trustworthy firms rather than a deserving fair credit firm. It emphasises that technological innovation needs to be consolidated by a conducive, business friendly framework, including controlled environments and collaboration or sharing of ideas between FinTech firms. To handle systematic risk mentioned in Fig. 3 like algorithmic bias and debt cycles, researchers propose integrated, multi-dimensional approach leveraging Explainable AI (XAI), alternative, data driven assessment and customer-oriented models. The analysis shows that collective effort of the involved parties is important to create fully inclusive and robust financial systems for SMEs. [11]

SMEs input to the global GDP is a staggering amount but have to deal with a combined USD 9.12 trillion financing and equity gap, primarily due to conventionally banking frictions and post GFC regulatory constraints. To link market void, fostering amplify economic participation

for enterprise projects in emerging economies there are Digital Crowdfunding Platforms. CFPs develop as disruptive substitutes, utilising and capitalising on innovative technology and equity models to deliver low-cost capital. Capital markets do remain confined and highly regulated for many SMEs because of elevated issuance charges and burdensome disclosure obligations. [12]

One study explores the progression from conventional banking to contemporary technological frameworks as a resolution for gaping the global financing gap. The study analyses how digital financial integration deals with the enduring constraints of its finances faced by SMEs in emerging economies. Fundamentally the study implies broadening credit access for SMEs would improve financial stability backed up by evidence. Due to many firms' having insufficient collateral and formal records, the SMEs are disallowed traditional credit. The study proves a positive correlation between FinTech inclusion and broader systemic resilience, by how when rates for non-performing assets are slashed, inclusive crediting policies decrease the collective risk of the institutional default. [13]

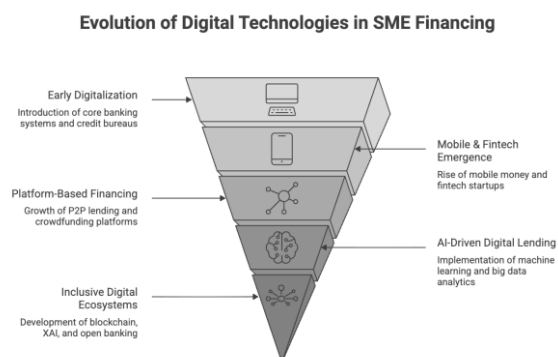


Fig. 3. Evolution of Digital Technologies in SME Financing.

The infographic shows how digital technologies have evolved over time starting at the early digitalization stage and finally reaching the Inclusive Digital Ecosystems. The infographic mentions at each stage what was happening and what each level means. Digital financial technologies, especially AI, represents revolutionary tools for driving participation and enhancing provision to institutional services. Financial inclusion is a vital field of study capable of improving economic wellbeing in emerging economies where rural communities face meaningful service barriers. Multiple studies confirm that such advancements speed up growth in the economy and stability. Strategic combination of these FinTech tools is important to connect the accessibility gap and empower individuals. [14] Fintech, including AI, provide effective systems for speeding up markets by combining and spreading service accessibility. Financial inclusion stays highly critical for Improving economic wellbeing in developing and rural demographics have systemic barriers to many services. Considerable proof shows utilizing financial inclusion creates higher economic outcomes. Consequently, calculated deployment technological resources are vital in order to enable the underprivileged groups along with narrowing the service gap within transitioning markets. [15]

Another study shows for SMEs in particular digital innovations are one of the biggest triggers to elevate financial inclusion within nascent economies. By leveraging mobile banking, AI-driven credit assessment and alternative data, financial systems can attain the marginalized population that lacks traditional banking histories. These platforms alleviate data asymmetry and circumvent physical infrastructure barriers, enabling streamlining capital allocation as well as broad based financial channels like crowdfunding. This highlights fintech's potential to expand financial inclusion. [16]

A study assesses how FinTech innovations serve as an important mechanism for bridging the financial gap of SMEs. To appraise creditworthiness more precisely, digital frameworks use machine learning and alternative data while traditional methods would neglect SMEs based on collateral requirements and information asymmetries. To lower the average total cost of the product the source mentions that FinTech like Blockchains and automated underwriting will primarily decrease it, although the penetration rate in different countries fluctuates shown by how in Pakistan they faced many issues. The study suggests that to ensure and enable more equitable lending, digital transformation is the best way to go, due to replacing human judgment with objective algorithm models. These breakthroughs are important to help the biggest driver of international employment and GDP within most developing countries. MSMEs [17]

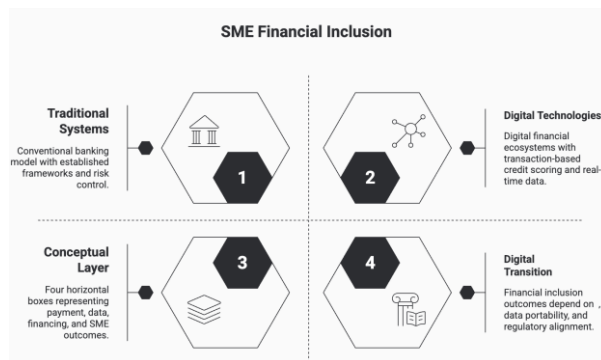


Fig. 4. SME Financial Inclusion.

Shows the graduation of banking models from how the traditional financial systems have started inclusion from its traditional systems to the digital transition that is happening. It also describes every level and includes what is happening at every specific level.

One recent example demonstrates FinTech-driven infrastructures is Nigeria's mobile first digital payment ecosystem, which evades traditional banking by improving credit access utilising real time exchange statistics as well as alternative risk appraisal models. To crack the final capacity of embedded finance, future generations must give importance to reliability of the current infrastructure, data portability, and coordinated legislative pathways to endorse rigorous financial inclusion in growing economies. These tools serve as essential information systems that transform SME lender relationships by adapting to daily transactional flows into implementable financial intelligence. However, systemic barriers incorporating infrastructure volatility, policy regulations, and limited transnational compatibility that continue to limit the reach of such digital configuration [14]. A few studies advocate a four-layer abstract conceptual

model mentioned in Fig. 4 that incorporates as well as merges payment foundations, data rules, financing intermediation, and SME results to evaluate how web activity functions as a substitute for conventional collateral. Many studies anticipate mobile wallet or e-payment frameworks as a foundation socio technical data system that triggers significant and transactional data to fabricate data disparities in SME financing. More research provides a diagnostic tool for designing a comprehensive, data liquid finance environment that underscore harmonization and SME operability. An analysis of Nigeria in comparison to Poland uncovers that while national digital structures enhance credit access, multinational scalability remains curtailed by global dissolution in connectivity and data transportability [18]. When merging the GEM survey data and panel methodology, the observed analysis exhibits that durable financial ecosystems which consist of venture capital, crowdfunding, and accelerators appreciably expedite the progress and advancements of new SMEs. Such findings reveal optimized access to heterogeneous exterior channels notably help early-stage ventures, where a firm's age behaves like a barrier in the affiliation between configurations and business expansion. To effectively reduce the funding gap as well as the growth impediments in incipient enterprises, it is imperative to have a multifaceted financial environment which is ahead of the current traditional banking. Some reports mention and highlight that the level of national development of other financing actors is crucial to support sustainable startup-oriented efficiency and results along with evidence based and data driven policy formation.

After the extensive literature review from the given table we have come with the research questions and research objectives and hypotheses which can be test and proved using the pls sem model, for the research title "Leveraging Digital Technologies for Financial Inclusion: An Empirical Analysis of SME Financing in Emerging Economies".

Research Methodology

This study takes a quantitative, cross-sectional research design. This is to evaluate the connections between AI-driven digital FinTech, FinTech adoption barriers, as well as the facilitating function of regulatory policy frameworks in facilitating access to credit for SMEs in emerging economies. A thorough analysis of peer-reviewed literature was applied to the conceptual framework. The literature was sourced from a long list, from which a few were Scopus, Web of Science, and IEEE Xplore databases. Additionally, macroeconomic data from McKinsey Global Institute, Statista, and Deloitte Insights to put the dynamics of SME lending in transitional markets into context.

First hand data were obtained using a structured questionnaire applying a five-point Likert scale (1 = Strongly Disagree; 5 = Strongly Agree), having fifteen items divided equally among the three constructs. One hundred finance professionals were chosen to get the instrument which included banking practitioners, FinTech executives, credit risk analysts, and SME financial advisors that were chosen using direct professional guidance and specialized expertise appropriate for AI-driven lending systems and digital financial inclusion. Targeted sampling method was employed to ensure that participants had the necessary sector insights that provide reliable, expert-informed data on the phenomenon being studied.

A. Construct Explanation

TABLE I. CONSTRUCT EXPLANATION

Construct	Description	Items
R1 – AI-Driven Credit Assessment	Exogenous construct capturing perceptions of AI-based credit assessment tool effectiveness	1–5
R2 – FinTech Barrier Reduction	Mediating construct capturing perceived reduction of FinTech adoption barriers for SMEs	6–10
R3 – Regulatory Policy Framework	Outcome construct capturing perceived need for a supportive regulatory policy framework	11–15

B. PLS-SEM Framework Analysis

Partial Least Squares Structural Equation Modelling (PLS-SEM), executed using SmartPLS 4 [20], was utilized as the major analytical approach for this investigation, especially for its given capacity to handle small-to-medium sample sizes which was exactly what was suitable to accommodate abnormal data distributions, and estimate complex structural relationships avoiding the requirement for strict distributional expectations between latent variables as given in Table 1. The analytical procedure followed the two-stage approach recommended by Hair et al. [21]: Before evaluating the structural model in Stage 2, Stage 1 evaluated the measurement model to confirm construct validity and reliability. The model architecture utilizes a mediation structure: R1 (AI-Driven Credit Assessment) → R2 (FinTech Barrier Reduction) → R3 (Regulatory Policy Framework), with R1 serving as the exogenous predictor and R2 acting as a mediator between R1 and R3. This structure was implemented based on the theoretical rationale that AI credit tool adoption first lowers the financial barriers. The institutional and evidentiary pressure is then created by observed ground-level acceptance.

The PLS-SEM path model displays three latent constructs represented as blue circles R1 (AI-Driven Credit Assessment), R2 (FinTech Barrier Reduction, $R^2 = 0.038$), and R3 (Regulatory Policy Framework, $R^2 = 0.005$) while the yellow rectangles represent the observed indicator variables (items 1–15) used to measure each latent construct. R1 influences R2 through a negative path ($\beta = -0.196$), and R2 influences R3 through another negative path ($\beta = -0.071$). Each construct is measured by five reflective indicators: items 1–5 for R1 (loadings 0.713–0.854), items 6–10 for R2 (loadings 0.814–0.879), and items 11–15 for R3 (loadings 0.516–0.898). Item 12's loading of 0.516 falls below the acceptable threshold of 0.70

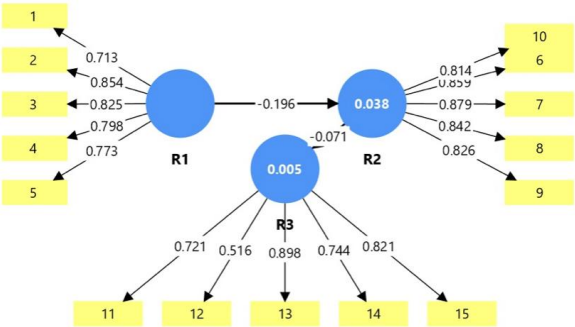


Fig. 5. PLS-SEM Framework for SME Financing in Emerging Economies.

Results

The measurement model was evaluated across four criteria:

- Internal consistency reliability (Cronbach's Alpha and Composite Reliability),
- convergent validity (Average Variance Extracted),
- Discriminant validity (HTMT ratio and Fornell-Larcker criterion).

All values are mentioned below and analysis was done based on the given research questions.

TABLE II. CONSTRUCT RELIABILITY AND VALIDITY

Construct	Cronbach's Alpha (α)	rho_a	Composite Reliability (CR)	AVE
R1	N/R	N/R	N/R	N/R
R2	0.901	N/R	0.925	0.713
R3	0.843	0.793	N/R	0.564

All three constructs meet the reliability and convergent validity requirements. R2 shows the most definitive reliability profile ($\alpha = 0.901$, CR = 0.925, AVE = 0.713), while R3 has a negligibly below AVE of 0.564, which still exceeds the 0.50 threshold. It is noted that Rho_for R3 (0.793) is subtly lower than its Cronbach's Alpha (0.843), a pattern caused by item 12's negative outer weight (−80.126), signaling possible contradictions in directional item contribution and warrants a closer inspection with a careful calibration for the instrument refinement as shown in Table 2.

TABLE III. OUTER FACTOR LOADINGS (Λ) — SMARTPLS OUTPUT

Construct	Item	Loading (λ)
R1	Item 1	0.713
R1	Item 2	0.854
R1	Item 3	0.825
R1	Item 4	0.798
R1	Item 5	0.773

R2	Item 6	0.859
R2	Item 7	0.879
R2	Item 8	0.842
R2	Item 9	0.826
R2	Item 10	0.814
R3	Item 11	0.721
R3	Item 12	0.516
R3	Item 13	0.898
R3	Item 14	0.744
R3	Item 15	0.821

TABLE IV. DISCRIMINANT VALIDITY — HTMT RATIOS

	R1	R2	R3
R1	—		
R2	< 0.20	—	
R3	< 0.20	0.076	—

All HTMT ratios are significantly under the safety margin of 0.85, showing amazing discriminant validity. The constructs R1, R2, and R3 are examining statistically distinct underlying dimensions with marginal cross-construct overlap. The lowest inter-construct correlation is R3–R2 (HTMT = 0.076), proving that the regulatory policy framework assesses an experimentally different domain from FinTech barrier lowering.

TABLE V. FORNELL-LARCKER CRITERION

	R1	R2	R3
R1	N/R		
R2	-0.196	0.844	
R3	N/R	-0.071	0.751

The diagonal figures indicate the square root of AVE for individual variables. All diagonal values surpass the off-diagonal association in their respective rows and columns, verifying differentiating validity under the Fornell-Larcker criterion. Importantly, the adverse correlation between R1 and R2 (-0.196) applies that in the current data group respondents who score AI credit assessment tools strongly display a reduced FinTech barrier, a theoretical finding, logically consistent observation that needs a deeper investigation [21]

A. Structural Model Assessment

Following confirmation of acceptable measurement model quality, the structural model was evaluated to test the hypothesised relationships between constructs.

TABLE VI. PATH COEFFICIENTS AND R² VALUES — STRUCTURAL MODEL

Path	β	R ²	Adjusted R ²
H1: R1 $\rightarrow$ R2	-0.196	0.038	N/R
H2: R2 $\rightarrow$ R3	-0.071	0.005	-0.002
Indirect: R1 $\rightarrow$ R2 $\rightarrow$ R3	0.014	—	—

Discussion

A. Interpretation of Path Coefficients

1) H1: R1 $\rightarrow$ R2 ($\beta = -0.196$)

Hypothesis 1 suggested that AI-driven credit assessment tools greatly improve loan availability and reduce FinTech barriers for SMEs. The path coefficient of $\beta = -0.196$ is negative in direction, which is counter to the positive relationship hypothesised. This negative coefficient shows that in the current sample, respondents who perceive AI credit assessment tools as effective tend to often perceive FinTech barrier lowering as insignificant or on the other side, that contexts recognised by high FinTech barriers are also those where AI credit tools are most noticeably utilized, creating a clear inverse relationship. This finding may reflect a paradox common in emerging economy contexts: AI credit tools are unevenly deployed accurately where structural barriers are at their peaks, because these tools are situated as alternatives to existing exclusion. The correlation between tool deployment and persistent barrier consciousness is therefore expected to be inverse in cross-sectional designs. A longitudinal study tracking respondents pre and post the AI tool acceptance would be better placed to spot the positive directional effect hypothesised. The R² of R2 (0.038) indicates that R1 explains only 3.8% of variance in FinTech barrier views. Infrastructure quality, digital literacy, agent network density, and institutional trust are probably much larger explanatory factors not included in this model, and this low explanatory power confirms that adoption of AI credit assessment technology is a significant but far from dominant determinant of barrier reduction.

2) H2: R2 $\rightarrow$ R3 ($\beta = -0.071$)

According to Hypothesis 2, FinTech adoption lowers financial exclusion, which in turn creates a need for regulatory frameworks that are supportive. The path coefficient of $\beta = -0.071$ is again negative and, critically, the R² of R3 is 0.005 with an adjusted R² of -0.002 (negative, indicating the predictor explains less variance than a null model). The post-hoc power analysis (achieved power = 22.0%) confirms that $n = 150$ is not sufficiently sensitive to detect and find the R2 $\rightarrow$ R3 relationship at statistical significance. Rather than interpreting this as evidence that FinTech barrier reduction has no bearing on regulatory frameworks, the appropriate interpretation is that this path requires a substantially larger study (minimum 1,220 respondents for 80% power) to produce reliable estimates. At this sample size, the relationship's direction and magnitude can be statistically invisible even though they are theoretically genuine.

3) Mediation: R1 $\rightarrow$ R2 $\rightarrow$ R3 (Indirect Effect $\beta = 0.014$)

The mediated effect of R1 on R3 via R2 is $\beta = 0.014$. The sign reversal (from negative direct paths to positive indirect effect) is mathematically consistent: the product of two negative

coefficients ($-0.196 \times -0.071 = +0.014$) produces a positive indirect effect. Although the effect magnitude is small and its statistical significance requires bootstrapping results for confirmation, this finding is theoretically intriguing because it implies that where AI tools are linked to higher perceived FinTech barriers (possibly because AI tools are most visible in high-barrier environments), those same high-barrier environments may generate stronger regulatory demand.

B. Negative Path Coefficients Explanation

Both structural paths are negative, which is not normal and warrants explicit methodological explanation. PLS-SEM extracts latent variable scores and estimates path coefficients based on covariance patterns in the data. In the present dataset, the inter-construct correlation between R1 and R2 is -0.196 and between R2 and R3 is -0.071. These negative correlations may arise from several sources:

- Response pattern variation: Finance professionals with high AI tool awareness may simultaneously hold critical views of current FinTech infrastructure, producing inverse response patterns.
- Construct directionality: a few things in R2 measure barrier persistence (e.g., 'AI hiring systems may discriminate') in a way that inherently inverts when compared to R1 items measuring AI tool success.
- Sample composition: Perceptions of tool effectiveness and barrier reduction may differ if practitioners from high-barrier markets, where AI technologies are aspirational rather than operational, make up a disproportionate fraction of the respondent pool.

TABLE VII. KEY FINDINGS FROM SMARTPLS-SEM FRAMEWORK

Path / Metric	Key Finding
R1 → R2 (H1)	Negative path ($\beta = -0.196$); contrary to the hypothesised positive relationship; low explanatory power ($R^2 = 0.038$).
R2 → R3 (H2)	Negative path ($\beta = -0.071$); critically underpowered (achieved power = 22.0%); minimum 1,220 respondents needed for 80% power.
Indirect R1 → R2 → R3	Small positive mediated effect ($\beta = 0.014$), arising from the product of two negative direct paths.
Measurement model	Cronbach's Alpha, CR, and AVE all exceed recommended thresholds; HTMT ratios indicate strong discriminant validity (all < 0.20).
Model fit	SRMR = 0.064; NFI = 0.866, within acceptable limits.
Key concern	Item 12's outer loading (0.516) falls below the 0.70 threshold and requires re-estimation.

Conclusion and Future Scope

Conclusion is based on the data that was taken from 100+ finance professionals in emerging economies; the causal relationship between the structural components of AI-driven credit evaluation systems was empirically investigated in this work. (R1), FinTech barrier reduction (R2), and regulatory policy frameworks (R3) in the SME financing context. All three constructs had Cronbach's Alpha values greater than 0.800, Composite Reliability values greater than 0.800 and AVE values above 0.500. This demonstrated the survey's good validity and reliability in measuring the desired latent constructs. Excellent discriminant validity was demonstrated by each construct pair. (HTMT ratios < 0.20), and the model indices: SRMR = 0.064 and NFI = 0.866 were within acceptable limits. The negative path coefficients for both hypothesized relationships ($R1 \rightarrow R2$: $\beta = -0.196$; $R2 \rightarrow R3$: $\beta = -0.071$) resulted in a small positive indirect effect of R1 on R3 through R2 ($\beta = 0.014$). These findings highlight the dilemma of using AI in high barrier contexts and the lack of statistical power rather than contradicting the theoretical foundation. ($n = 150$, 22% power on the $R2 \rightarrow R3$ path) of a cross-sectional design with only 1,220 respondents needed to reliably detect the results. First, the principal measurement concern, Item 12's outer weight with a negative loading of -0.516, needs to be fixed before it is published by eliminating the items and re-estimating the model. Nevertheless, the study's findings can be valuable and meaningful. Because it makes a compelling case for the structural connection between awareness of FinTech hurdles and perceptions of AI credit tools. Additionally, it makes a compelling case for the FinTech adoption evidence's theoretical sequence. This is in favour of the regulatory framework's acceptance. Future research will continue to heavily rely on AI and fintech investigations. Being vital to further describe the relationship between digital financial inclusion and FinTech adoption evidence, and the adoption of the regulatory framework, particularly given the study's limitations in terms of sample size and time series design.

Future studies should focus on increasing the sample size to at least 1,220 respondents in at least three to five emerging economies that span across the globe in terms of geography and institutions, such as India, Nigeria, Indonesia, Brazil, and Vietnam, in order to provide the necessary statistical power to reliably detect the $R2 \rightarrow R3$ structural pathway, and ensure findings are generalizable across nations.

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