

# **IMPACT OF ARTIFICIAL INTELLIGENCE ON FINANCIAL PERFORMANCE; EVIDENCE FROM THE BANKING SECTOR OF PAKISTAN**

**BY**

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A Project submitted to Department of Management Studies, Bahria Business School, Bahria University – Karachi Campus, in partial fulfillment of the requirement for BS A&F Degree



**BS (ACCOUNTING & FINANCE)**

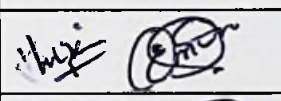
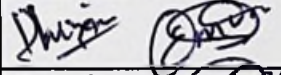
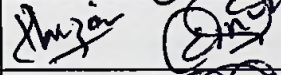
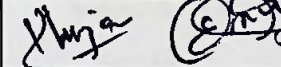
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## 1<sup>st</sup> Half Semester Progress Report

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Thesis/Project Title	Impact of Artificial Intelligence on Financial Performance

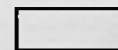
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No.	Date	Place of Meeting	Topic Discussed	Signature of Student
1	08/3/23	Ma'am Office	Detailed topic discussion	
2	15/3/23	Ma'am Office	Introduction of the report discussed	
3	22/3/23	Ma'am Office	Literature review discussion	
4	29/3/23	Ma'am Office	Research methodology discussed	

Progress Satisfactory



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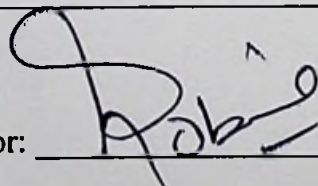


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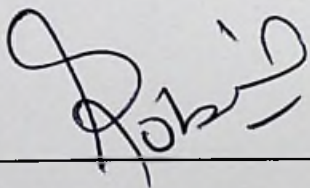
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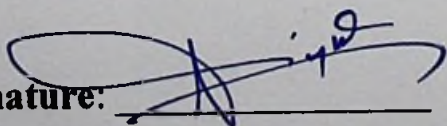


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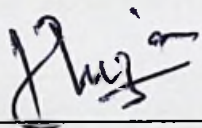


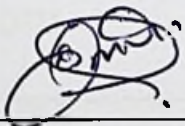
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I, hereby, declare that no portion of the work referred to in this project has been submitted in support of any application for another degree or qualification of this university or any other institution of learning.

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## **Abstract**

One of the key forces behind Industry 4.0 is artificial intelligence. This study evaluates the effect on financial performance of using AI-related terminology in annual reports, concentrating on locally listed Pakistani banks. In the world of banking and finance, there has been a lot of discussion on how artificial intelligence (AI) could affect financial performance. The purpose of this study is to look at how artificial intelligence (AI) affects financial performance in relation to the financial sector. With a special emphasis on profitability, cost effectiveness, and risk management, the study's goal is to investigate the connection between AI deployment and financial performance measures. The study also examines how firm size affects this connection as a moderator. To accomplish these goals, a thorough assessment of the literature on AI in finance is done, offering insights into the possible advantages and difficulties of AI adoption. It aids in understanding the adoption stage of AI. Through the examination of a sample of 20 banks and 400 annual reports spanning twenty years, a quantitative research approach is used. For this analysis, a sample of banks, including both major and small institutions, were surveyed for financial data. To investigate the link between AI adoption, financial performance measures, and the moderating impact of firm size, multiple regression models were used. Data collecting from a sample of financial enterprises, including both big and small businesses, is part of the study process. Overall, the results indicate a linear growth in the use of AI-related phrases. AI-related phrases don't have enough capacity to explain financial performance. However, there is some evidence in favor of a positive impact. The study's conclusions are followed by a number of recommendations. First and foremost, financial companies should carefully evaluate the advantages and drawbacks of adopting AI while taking into account their unique organizational traits and resources. Additionally, smaller businesses should look for strategies to get beyond resource and technological obstacles that prevent the use of AI.

**Keywords:** Artificial Intelligence, Financial Performance, ROE, Banking Sector