

P Nandalal Weerasinghe: AI innovation and digitization in the banking sector - creating sustainable value to the economy and society

Speech by Dr P Nandalal Weerasinghe, Governor of the Central Bank of Sri Lanka, at the Inauguration of CMA Sri Lanka Silver Jubilee International Management Accounting Conference, Colombo, 16 September 2025.

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It is an honour and a privilege to address you today at the inauguration of this significant event, the Silver Jubilee International Management Accounting Conference of CMA Sri Lanka. Twenty five years of dedication to excellence in management accounting, shaping professionals and making a difference.

Please allow me to begin by warmly congratulating CMA Sri Lanka on this historic milestone, its leadership, and every member, past and present, who contributed to this journey.

I am honored to stand before you today to speak on a topic that is not only shaping the future of finance but fundamentally redefining it. We find ourselves at a pivotal moment, where technology has evolved beyond being just a tool for efficiency, becoming a transformative force driving sustainable value for both our economy and society.

For centuries, banking has been built on the pillars of trust, security, and human relationships. While these principles remain untouchable, the digital age has introduced new dynamics. The digital revolution in banking is no longer a future concept; it is our present reality. Customers are now living in a world of instant and seamless on demand services, and they expect the same from their financial institutions as well. This is where Artificial Intelligence (AI) and digitization step in. They are the twin engines driving a profound transformation, moving us from a traditional, transaction-based model to one that is intelligent, predictive, and customer-centric.

Similarly, the traditional role of the management accountant, once rooted in historical data and manual reporting, is rapidly evolving. The dawn of technologies like machine learning, predictive analytics, and robotic process automation has liberated us from the tedious, repetitive tasks of data entry and reconciliation. This shift is not about job replacing, but rather, about a profound and necessary upskilling. It is about elevating the management accountant from a 'number cruncher' to a 'strategic foresight architect'.

Therefore, this is more than a story of technology; it is a story of purpose. Our collective responsibility is to harness this power to not only drive business and economic growth but also to foster a more inclusive, resilient, and prosperous society.

The 2008 financial crisis taught us the substantial societal cost of inadequate risk assessment. Today, AI-powered models can analyze vast, unstructured datasets from market trends to social sentiments to predict credit risk with unprecedented accuracy. This leads to more responsible lending, fewer defaults, and greater financial stability.

Today, we see that the banking industry is undergoing an unprecedented transformation. Traditional models, once reliant on physical infrastructure and manual processes, are getting replaced by digital ecosystems powered by AI-driven intelligence. This evolution is not merely technological. It represents a structural shift toward data-centric, customer-oriented, and sustainability-focused banking.

For example, AI-powered automation streamlines banks' back-end processes, from loan applications to compliance reporting. By using machine learning and robotic process automation, banks can eliminate manual errors, accelerate workflows, and reduce operational costs. This efficiency is not just about saving money, it is about reallocating bank's most valuable resource, i.e., human capital, focusing on strategic thinking, complex problem solving, and building deeper customer relationships.

AI is no longer confined to experimental applications; it has become a strategic imperative. AI-driven automation enhances process accuracy, reduces operational costs, and accelerates service delivery. Advanced machine learning models enable real-time fraud detection, predictive credit scoring, and proactive compliance monitoring. Through hyper-personalization, AI delivers tailored financial solutions, improving customer engagement and trust.

Beyond efficiency, AI is bracing defenses. It is considered one of the most effective weapons against fraud and financial crime. AI algorithms can analyze billions of transactions in real-time, detecting and predicting anomalies with an accuracy that human oversight simply cannot match. This enhances the security posture and protects the integrity of the financial system, which is a non-negotiable part of the social contract.

Furthermore, real-time transaction monitoring, as pioneered by major banks around the world, uses machine learning to identify and prevent fraudulent activity instantly. This does not just protect the bank; it safeguards the financial well-being of millions of customers by building a more secure and trusting financial ecosystem. Empirical studies indicate that AI adoption could reduce global banking expenditures by hundreds of billions of dollars annually, while simultaneously improving productivity and resilience.

The significance of AI and digitization extends beyond institutional efficiency. It covers broader socio-economic objectives, where AI powered credit assessment models leverage alternative data sources, granting access to credit for previously underserved populations.

The traditional banking model often left behind vast segments of the population. However, AI can analyze non-traditional data sources such as mobile phone usage or utility payment history to assess the creditworthiness of individuals and small businesses who lack a formal credit history. And also, banks can use AI to create personalized financial products and offer tailored financial advice, making banking more accessible for everyone.

Moreover, digital platforms and voice-enabled technologies democratize banking services, bridging gaps for rural communities and individuals with disabilities. Furthermore, AI-powered chatbots and virtual assistants are making banking services available 24/7, transcending geographical and physical barriers. A customer in a remote village can now access financial advice or apply for a loan with the same ease as

someone in a major urban city. This is not just convenience, it is a democratization of financial services, breaking down the old walls of exclusivity.

And also, as we collectively strive for a more sustainable future, banks are at the forefront of financing green initiatives. AI facilitates the evaluation of Environmental, Social, and Governance (ESG) metrics, thereby channeling capital toward green investments and climate-resilient projects. By analyzing vast datasets, we can better assess the sustainability of our investments and financing activities. AI can help us track and report on green initiatives, ensuring our actions align with our commitments. Moreover, our own digital transformation, enabled by AI, reduces our carbon footprint by minimizing paper usage, physical travel, and energy consumption. This is about using technology to build a more sustainable and ethical business model.

On the contrary, as we embrace these technologies, we must address concerns around data privacy, algorithmic bias, and the ethical use of AI. We must ensure that this technological revolution is inclusive and that no one is left behind. This requires a commitment to robust governance frameworks, transparency, and a continuous investment in upskilling the workforce. In addition, we must be transparent in our use of AI, ensuring that our models are fair, ethical, and free from discrimination.

The future of banking is not just about moving money, it is about moving society forward. It is about leveraging the immense power of AI to create a financial system that is not only robust and profitable but also accessible, and a force for positive change. Our role is no longer confined to the back office. We must be the bridge between financial data and strategic decision-making. We must understand not only the technology but also its ethical implications, ensuring our AI models are fair, unbiased, and transparent. We are the champions of value creation, and by embracing this transformation, we can guide our organizations to not only be profitable but also to be pillars of a more resilient, equitable, and sustainable world.

As we see, the fusion of AI innovation and digitization in the banking sector is more than a technological shift, it is a fundamental reimagination of our role in the world. It is about moving from being a mere financial service provider to a true partner in customers' financial lives. By embracing this transformation responsibly and strategically, we can unlock unprecedented value, not just for our institutions, but for a more inclusive, prosperous, and sustainable economy and society.