International Journal of Engineering Research & Technology (IJERT)
ISSN: 2278-0181
Vol. 14, Issue 07, NCIRTAI - 2026

Social and Economic Impacts of Artificial Intelligence on Society

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Abstract

Artificial intelligence (AI) has become a transformative force, reshaping economies, social interactions, and ethical landscapes. This paper examines AI's impact on employment, privacy, and decision making, highlighting its role as both an innovator and a potential disruptor. By reviewing recent research and case studies, we emphasize the need for proactive governance and ethical frameworks to manage risks while maximizing benefits. The study provides insights into how AI is redefining societal norms and human experiences, promoting the responsible integration of these technologies.

I. INTRODUCTION

Artificial intelligence (AI) can generally be categorized into Symbolic AI and Connectionist/Statistical AI**.** Symbolic AI, often called Good Old-Fashioned AI (GOFAI), relies on formal logic and rule-based systems and dominated early AI research from the 1950s to the 1980s. It depends on human-designed ontologies and deterministic reasoning, as seen in systems like SHRDLU and expert systems. In contrast, Connectionist AI, inspired by biological neural networks, underpins modern machine learning techniques, particularly deep learning, using data-driven statistical inference and experiential learning. Machine learning (ML), a subfield of AI, focuses on algorithms that allow computers to learn from data without explicit programming. A concise definition states: "Machine learning is a field that enables computers to learn without being explicitly programmed." ML is further divided into supervised, unsupervised, and reinforcement learning**,** reflecting fundamental differences in computational structure and epistemology, which influence their application across domains.

II. CURRENT APPLICATIONS FOR AI

Healthcare

Artificial intelligence (AI) is transforming medicine by improving the accuracy and efficiency of patient care. By leveraging big data, AI enables personalized treatments and optimizes care based on a patient's medical history and available resources. Its ability to rapidly analyze large volumes of clinical data supports faster diagnostics and informed decision-making. Recent advances in deep learning have produced AI systems capable of detecting conditions like breast cancer and diabetic retinopathy from medical images, as well as developing automated diagnostic prediction tools.

Finance

The financial sector was an early adopter of AI and has successfully integrated it into trading, investment advisory, risk management, insurance claims, fraud detection, and regulatory compliance. AI is reshaping business processes, boosting economic efficiency, and enhancing customer experiences. These technologies continue to expand their applications, supporting smarter, faster, and more secure financial services.

Transportation

While vehicles may appear largely unchanged externally, AI is revolutionizing automotive technology internally. Advances in computing, communication, and data storage are transforming vehicle design, connectivity, and infotainment systems. Although automakers have been cautious in adopting new technologies, AI driven solutions for vehicle interconnectivity, environmental efficiency, and autonomous features are gradually shaping the next generation of transportation.

Education

AI and machine learning (ML) are rapidly expanding fields impacting nearly every industry.

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Integrating AI education in schools is essential to prepare students for future STEM careers. A strong curriculum can enhance understanding of AI principles, ethical implications, and societal impacts, empowering students to become informed citizens in an AI-driven world.

Manufacturing

AI adoption in manufacturing has advanced, particularly among large enterprises, but small and medium-sized manufacturers (SMMs) often face challenges due to limited resources and access to affordable, user friendly AI solutions. While cloud based AI tools offer valuable insights, they can be difficult to implement effectively without proper understanding. SMMs require accessible AI technologies that provide relevant, actionable data to improve production efficiency, machine performance and overall competitiveness.

III. SOCIETAL IMPACTS OF AI

Job Displacement

The rapid advancements in artificial intelligence (AI) have renewed concerns about the potential for widespread job displacement. As AI systems become increasingly capable and prevalent, fears about automation replacing human labor are intensifying. Predictions about the speed and scale of such displacement are generally pessimistic, and societal anxiety over workforce impacts is likely to rise as these technologies continue to expand.

Privacy Concerns

AI offers significant benefits in designing and managing intelligent systems, including technology assisted care and safety monitoring. However, its use raises complex ethical and privacy issues. Decisions made by AI may lack transparency, making it difficult for individuals to understand or challenge outcomes. Responsibility for AI-driven decisions is often distributed across multiple parties, complicating accountability. Moreover, AI models may evolve in unexpected ways, and biases embedded in training data can inadvertently reinforce or undermine ethical standards.

AI in Governance and Policy Making

AI has the potential to enhance governance and policy making, but its effectiveness depends heavily on context. Challenges such as poor data quality, incomplete algorithm design, lack of access to sensitive inputs, and unregulated outputs can hinder improvements in public policy outcomes. Political and social factors, including the digital divide, algorithmic biases, or discriminatory practices, may further reduce trust in AI driven decisions. Consequently, while AI can improve governance when implemented responsibly, mismanagement or misuse can undermine public confidence and reduce societal acceptance of these technologies.

Energy Consumption

In recent years, growing concerns about climate change, resource depletion and environmental sustainability have drawn attention to the ecological impact of digital technologies. Nearly all digital processes generate data, which requires energy to process and store. Modern machine learning, in particular, relies on massive datasets for training, raising questions about the energy demands and costs associated with cloud-based computing.

The energy usage of a data center depends on factors such as the number of physical servers, their energy efficiency, workload distribution to minimize power consumption, and cooling strategies to prevent overheating. Additionally, components like hot swappable controllers and power distribution systems, along with supply chain logistics, indirectly affect energy consumption through transportation and infrastructure usage. National and regional policies have been proposed to reduce the energy footprint of data centers and mitigate AI's environmental impact.

Sustainable Practices

The concept of "sustainable practices" in AI emerged in the mid 1990s from public interest in ethical biochemistry and then reemerged in the early 2000s as a framework for guiding responsible technological development. Governments and organizations in the Global North have implemented action plans to promote ethical and sustainable AI development. International bodies such as the European Union (EU) and the Organization for Economic Cooperation and Development (OECD) are establishing strategies to maintain competitiveness in AI, akin to initiatives in space exploration or nuclear technology.

IV. ECONOMICS IMPACT OF AI

Productivity and Efficiency Gains

Artificial intelligence (AI) significantly boosts productivity by automating routine tasks, streamlining operations, and optimizing workflows. In sectors like manufacturing, logistics, and finance, AI driven automation reduces human error, accelerates processes, and increases overall output. Companies adopting AI can allocate human resources to higher value tasks, enhancing organizational efficiency and competitiveness.

Job Market Transformation

AI is reshaping the labor market, leading to both job creation and displacement. While some routine and

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repetitive roles are being automated, new opportunities emerge in AI development, data analysis, cyber security, and system management. This shift requires reskilling and upskilling workers to adapt to AI-driven industries, influencing employment patterns across regions and sectors.

Cost Reduction and Operational Savings

AI enables organizations to reduce operational costs through predictive maintenance, energy optimization, and intelligent resource allocation. For example, AI algorithms in supply chain management can forecast demand, reduce inventory waste, and optimize delivery routes. Businesses benefit from lower overhead, reduced downtime, and improved financial performance.

Innovation and New Business Models

AI fosters innovation by enabling companies to create new products, services, and revenue streams. From personalized customer experiences in e-commerce to AI-powered financial advisory services, organizations leverage AI to differentiate themselves in competitive markets. Startups and small businesses also gain access to AI tools, lowering entry barriers for innovation.

Impact on Global Competitiveness

Countries investing heavily in AI gain strategic economic advantages. AI adoption enhances industrial competitiveness, accelerates technological progress, and strengthens national economies. Conversely, regions slow to implement AI may experience reduced productivity, widening economic disparities between nations.

Investment and Market Growth

The AI sector itself is a major driver of economic growth. Global investments in AI research, infrastructure, and startups are rising rapidly, creating a robust ecosystem of innovation and entrepreneurship. Venture capital funding, government incentives, and corporate spending on AI contribute significantly to economic expansion.

Income Inequality and Wealth Distribution

AI adoption can exacerbate income inequality if economic gains concentrate among high-skilled workers, large corporations, or technology-rich regions. Policymakers face the challenge of ensuring fair distribution of AI driven wealth, potentially through taxation, social programs, and workforce retraining initiatives.

V. CONCLUSION

The rapid advancement of artificial intelligence (AI), including progress toward human-level competence is poised to bring profound benefits and risks. While AI safety measures can mitigate some dangers, most current systems fall short of true AGI. AI's capabilities in learning and problem-solving are surpassing human expectations, offering potential breakthroughs in areas such as mathematics and complex reasoning.

Intelligent agents may exhibit forms of simulated awareness or "sentience," though this is largely textual and downstream of scripted processes. High-level AI development can influence outcomes in unprecedented ways, though its broader societal impact depends on careful design and oversight. AI adoption is widespread, with over three-quarters of organizations using it in at least one domain. Generative AI has the potential to increase global GDP significantly but also poses risks of job displacement, with roughly 40% of jobs exposed to automation. Ethical and socio-economic concerns include algorithmic bias, lack of transparency, and unequal distribution of benefits. This review highlights the need for interdisciplinary collaboration, regulatory frameworks, and investment in education and human capital to ensure AI serves public interests. While the narrative approach provides a broad societal perspective, future research should include data-driven analyses and longitudinal studies for more detailed sectoral insights.

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