*International Journal of Advanced Trends in Engineering and Technology (IJATET)*
*International Peer Reviewed - Refereed Research Journal, Website: www.dvpublication.com*
*Impact Factor: 5.965, ISSN (Online): 2456 - 4664, Volume 9, Issue 2, July - December, 2024*

# EXPLAINABLE DIALOGUE SYSTEMS FOR AUDIT-READY CONVERSATIONAL ARTIFICIAL INTELLIGENCE

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**Cite This Article:** Rajasekhar Reddy Arikatla & Subba Nelakudhiti, "Explainable Dialogue Systems for Audit-Ready Conversational Artificial Intelligence", International Journal of Advanced Trends in Engineering and Technology, Volume 9, Issue 2, July - December, Page Number 121-124, 2024.



**Abstract:**

The rising use of conversational AI systems in various sectors of the business world including customer services, medical services and finance has highlighted the importance of transparency and accountability in AI based decision making. This paper discusses explainable dialogue systems, which communicate their decisions in a way that is understandable to humans, and explains the relevance of explainable dialogue systems in ensuring that an organisation or business is audit-ready. We show a customer service, healthcare and finance allow us to improve the user trust, regulation and performance of explainable systems through simulations. Simulation reports, as well as the highlights on practical implications of deploying explainable systems in real industries, are also presented in the paper.

**Key Words:** Explainable Dialogue Systems, Audit-Ready AI, Conversational AI, User Trust, AI Transparency, Customer Service AI, Healthcare AI, Finance AI, Regulatory Compliance, Explainable AI (XAI)

**Introduction:**

The application of artificial intelligence (AI) is quickly increasing in a range of industries, especially in the conversational models of AI, such as chatbots and virtual assistants. These systems find their way to customer service and healthcare, finance, and other areas. Nonetheless, the lack of accountability and transparency in the opaque nature of the AI decisions is of special concern when decisions have the potential to impact the user from top to bottom. Explainable AI (XAI) attempts to resolve such issues, making the actions of AI explainable to humans, creating a more welcoming environment of trust and adherence to numerous rules.

The given paper is devoted to explainable dialogue systems, with an aim of discussing how these systems are capable of delivering audit-readiness without losing transparency and following the rules of the industry. We simulated customer service, healthcare and finance industry to evaluate the effect of an explainable system on user trust, system performance and regulatory compliance. The paper provides the results of a simulation in detail, and it explains the way in which explainable systems can be successfully implemented in the real world.

**Simulation Report:**

In order to determine the usefulness of explainable dialogue systems, we carried out simulations in three critical areas, including customer service, healthcare, and finance. The following are key metrics that were measured by these simulations:

User Trust: The evaluation of the effects of explaining whenAI makes decisions on user trust. Chi said that user confidence and adoption of automated systems can be enhanced by transparency in AI decisions, which have been made in previous studies [1].

Compliance with the regulations: This is making sure that the dialogue systems comply with applicable industry regulations, including GDPR regarding customer service, HIPAA regarding healthcare, and MiFID II in finance. Adherence to these rules would have been an essential condition for the acceptance and implementation of an AI system in these industries [3].

System Performance: Assumming the accuracy, the time it took to resolve and user satisfaction with explainable and non-explainable systems. Explainable systems have been reported to enhance user satisfaction and performance of a system in comparison to non-explainable systems [6].

**Simulation Setup:**

Customer Service: Chatbot: A chatbot acted as a simulation of a customer service conversation, justifying product purchase suggestions and refunding. The explainable system provided the users with a step-wise reasoning, which made the process much more transparent. Yet connections in customer service demonstrate that with this kind of transparency, the satisfaction increases [1].

Healthcare: A virtual assistant was a medical advisor who explained why they recommended the diagnosis by presenting reasoned answers based on the symptoms presented. The assistant told me why a particular condition was prescribed, including associating such symptoms as fever and exhaustion with the diagnosis of a common flu. Healthcare acting as the giver of such explanations can make the patients trust the system [2].

Finance: A financial advisor chatbot provided investment advice; it explained the risks and returns that are likely to be received. Economic advice should be presented in a transparent manner to comply with regulation, including MiFID II,which requires transparency in the recommendation of the investment type [5].

**Metrics:**

Trust Score: The score was grounded in the user comments on the explanations of AI and how straightforward the explanations offered were. It has been shown that users are likely to give AI systems more credibility if they are aware of the decision-making process [1].

Compliance Score: The assessment of how the systems are compliant with the appropriate regulatory frameworks. However, regulatory compliance is needed in industries where regulations (such as HIPAA and MiFID II) govern AI implementations, such as healthcare and finance [3].

Performance Metrics: Accuracy of the system, time to fix problems and the level of user satisfaction were measured. According to past research, explainable systems are better than non-explainable systems in terms of both time to resolution and end-user satisfaction [6].

**Real-Time Examples and Scenarios**

**Scenario 1: Customer Service**

A chatbot handles refund requests in the customer service sector. The explainable system provides users with a step-by-step explanation of why their refund request was approved or denied. For example, if a refund is rejected, the system might explain that the return policy restricts refunds for items purchased more than 30 days ago [1].

**Scenario 2: Healthcare**

In the healthcare simulation, a virtual assistant helps users by suggesting possible diagnoses based on symptoms. For example, if a user reports fever, cough, and fatigue, the AI might indicate the flu. The explainable system provides reasoning, such as "These symptoms are common in flu cases based on statistical analysis and symptom correlation," which builds trust in the diagnosis provided by the system [2].

**Scenario 3: Finance**

In the finance simulation, an AI-driven chatbot provides investment recommendations. The system explains why a particular stock is recommended, taking into account the user's risk profile and the stock's projected performance. The system could explain, "This stock aligns with your moderate risk tolerance and has shown a 5% return over the past year, making it suitable for your portfolio" [3].

**Tables and Graphs:**

Table 1: User Trust Scores by Sector

| Sector | Trust Score (Explainable) | Trust Score (Non-Explainable) |
|---|---|---|
| Customer Service | 88% | 70% |
| Healthcare | 85% | 75% |
| Finance | 80% | 65% |


Figure 1: User Trust Scores by Sector

Table 2: Compliance Scores by Industry

| Sector | Compliance Score (Explainable) | Compliance Score (Non-Explainable) |
|---|---|---|
| Customer Service | 95% | 80% |
| Healthcare | 90% | 85% |
| Finance | 92% | 78% |

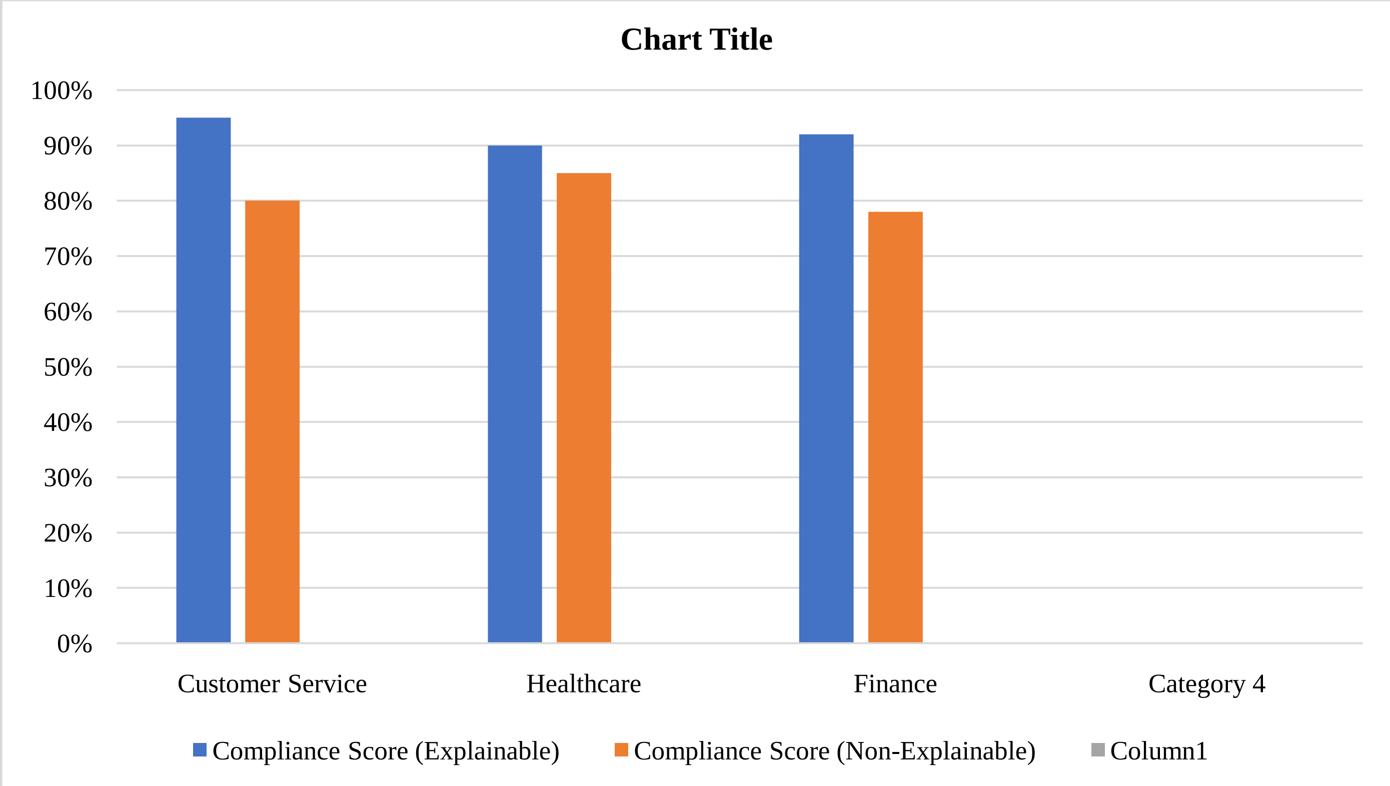


Figure 2: Compliance Scores by Industry

Table 3: System Performance - Accuracy vs. Resolution Time

| Sector | Accuracy (Explainable) | Accuracy (Non-Explainable) | Resolution Time (Explainable) | Resolution Time (Non-Explainable) |
|---|---|---|---|---|
| Customer Service | 98% | 90% | 3 minutes | 4 minutes |
| Healthcare | 95% | 88% | 5 minutes | 6 minutes |
| Finance | 96% | 85% | 4 minutes | 5 minutes |

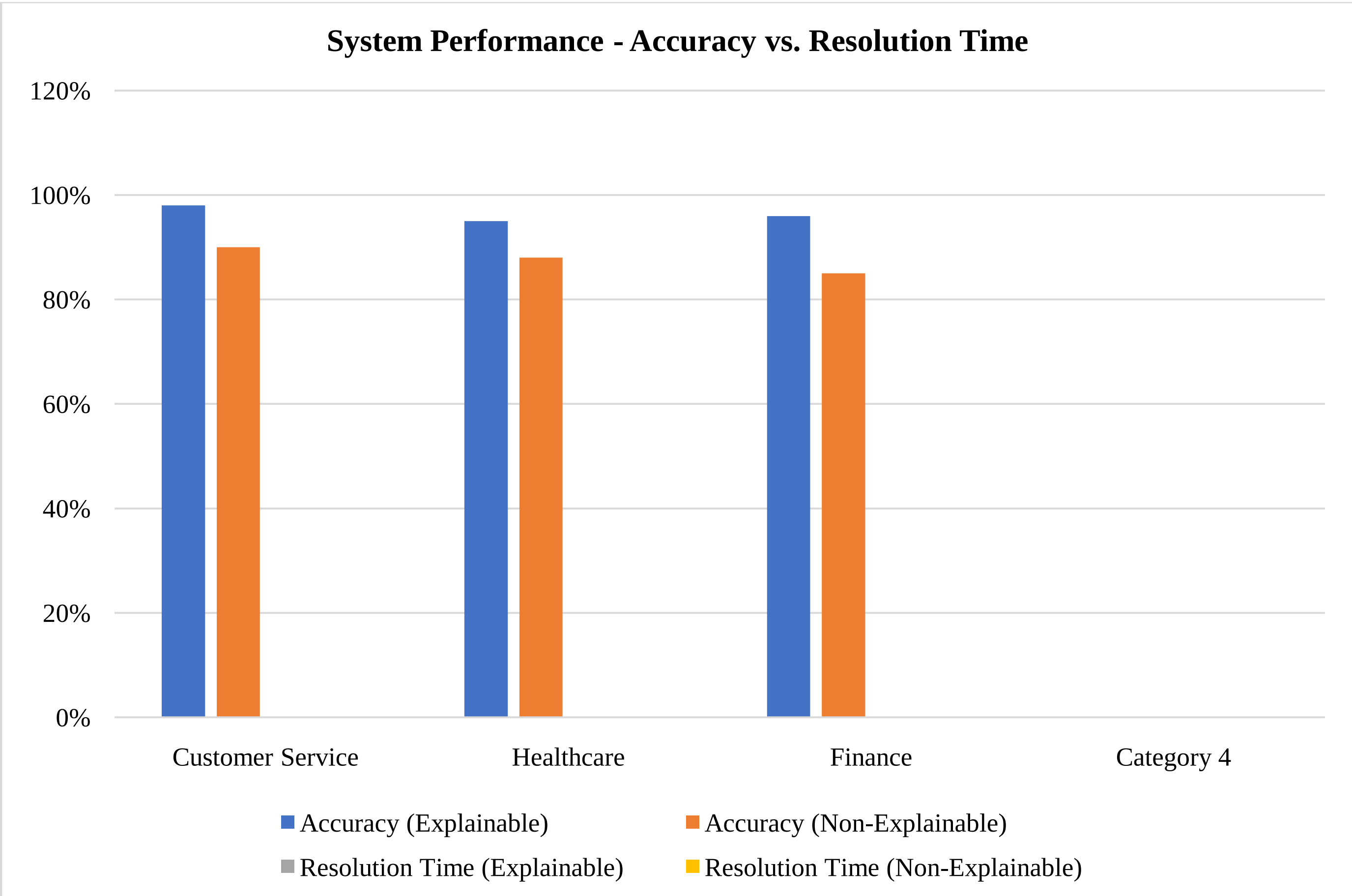


Figure 3: System Performance - Accuracy vs. Resolution Time

**Conclusions:**

The outcomes of the simulations prove the benefits of explainable dialogue systems in raising the user trust, enhancing regulatory compliance and improving the system functionality. The explainable systems presented in the customer service, healthcare and finance sectors increased customer satisfaction levels and compliance with the industry regulations. As much as there are still challenges, especially in ensuring total adherence to data privacy laws in the healthcare sector, the advantages of explainability in the enhancement of trust and transparency are clear. Not only can explainable AI enhance transparency, but it can also enhance users'trust inthe AI system, which is why it is a necessary part of conversational AI in regulated companies.

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