

AI in Financial Services

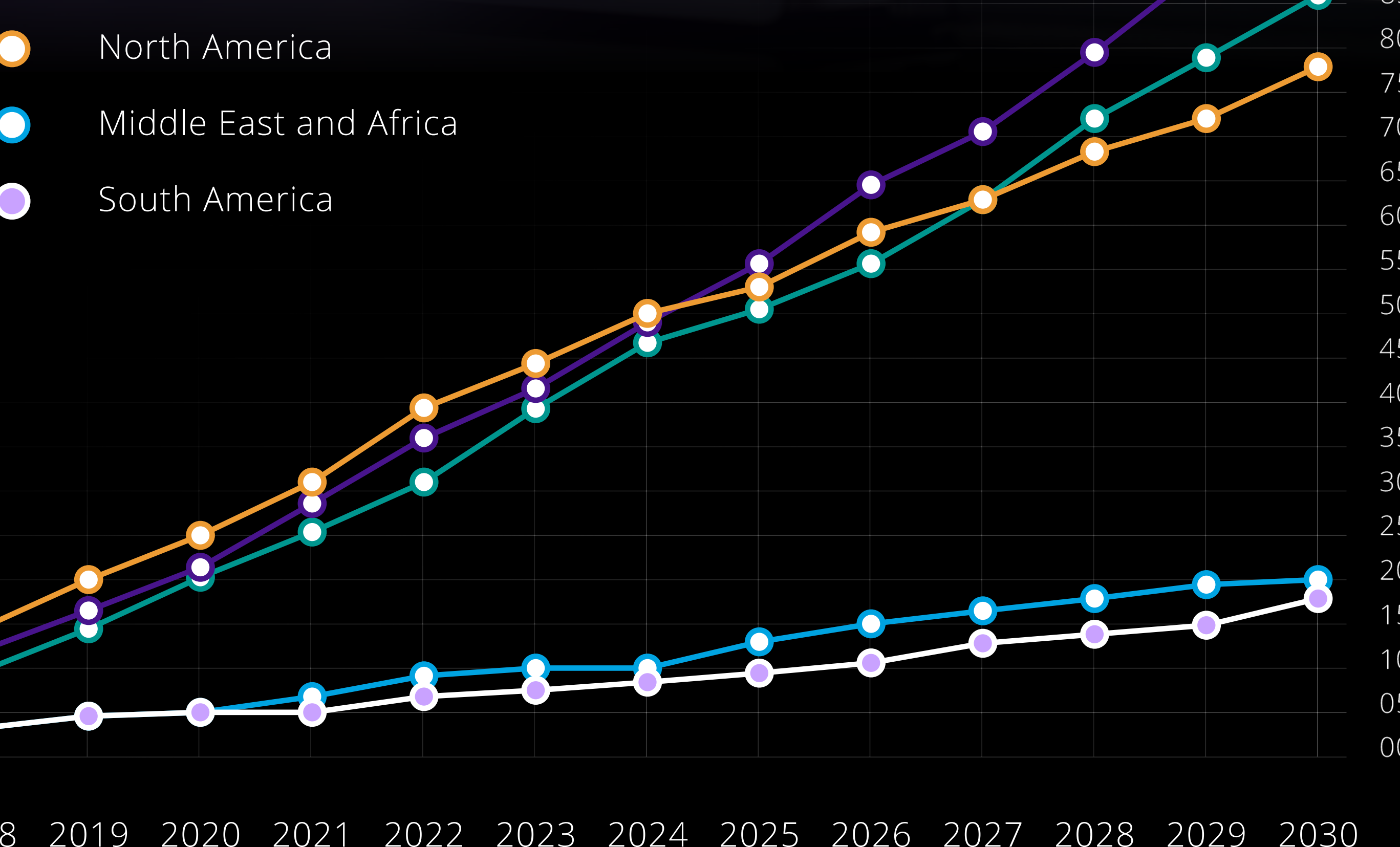
Overview

Financial companies are lagging behind other industries in adopting artificial intelligence (AI), despite the many benefits it offers such as driving revenue growth. However, the integration of AI in financial services is advancing, with **85%** of IT executives in the finance industry having a well-defined strategy for incorporating AI into the development of new products and services. A major use case in banking is for risk management and fraud detection by combining supervised and unsupervised learning algorithms to gain insights into customer behaviors.

AI Market Size in Financial Services

The business value of AI in the global finance industry is projected to steadily increase, with the utilization expected to generate a staggering **\$301 billion** by **2030**.

Business value derived from AI in banking industry worldwide from 2018 to 2030 in \$ billion



Trends in Banking

Hyper-automation enabled by AI is emerging as a key trend in the modern banking industry as customers demand more-convenient access to banking services in today's digital age. Banks can collaborate with IT firms to leverage AI for core use cases like account opening, customer support, fraud detection, and credit risk scoring. Combining AI with automation software can improve efficiency, response times, and service consistency.

Current banking use cases for AI

Area	Use Cases
New value propositions	Using analytics for new insights and innovative solutions in lending, financial advice, or investment research.
Risk management	Enhancing fraud detection, trading surveillance, and risk evaluations.
Operations	Streamlining administrative tasks, reporting, and compliance through process automation.
Customer acquisition and management	Accelerating onboarding and improving customer understanding and personalization.
Customer experiences	Automating interactions with chatbots or virtual assistants, while enhancing existing channels.

Risks Associated with AI Adoption

47% of bankers see security and privacy breaches as the greatest risk of AI adoption. But this is not the only risk. Banks are likely to experience increased regulatory pressure in terms of the explainability of AI systems as emerging regulations, such as those proposed by the EU, impose strict requirements on high-risk AI applications, including credit scoring.

Risks associated with AI adoption



Challenges

84% of executives recognize the importance of AI for their future ambitions, but the majority of companies are still stuck at the test phase, with less than **5%** effectively implementing AI at a large-scale. There are three common challenges which impact AI deployment in banking.

	Technology-driven approach Prioritizing technology over business goals in AI implementation can lead to suboptimal use of robotic process automation (RPA) and optical character recognition (OCR) programs, resulting in ineffective improvements in turnaround times and customer experience.
Fragmented technology infrastructure for AI The presence of a fragmented technology infrastructure, lack of integration with fintech solutions, data lock-ins, and algorithm silos impede the scalability and efficiency of AI in banks, highlighting the importance of streamlining technology infrastructure.	
	AI's impact on operating models AI is revolutionizing banking, requiring leaders to shape the future of work through collaborative efforts and multidisciplinary skills, empowering teams with necessary infrastructure, tools, and knowledge.

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