

Banking Sector Boosts AI for Efficiency, Fraud Prevention and Customer Experience



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The banking sector is adopting AI and Generative AI (GenAI) technologies to drive innovation and security across key business functions. With 84% of banking organizations already using AI and 67% implementing GenAI, these technologies are positioning banks for sustained growth and enhanced performance.

AI and GenAI are transforming the banking sector by improving security, operational efficiency, and customer service. Advanced fraud detection systems now analyze transactions in real-time to identify unusual activity, helping to prevent fraud before it escalates. AI-driven threat intelligence enables banks to anticipate and mitigate cyber threats, ensuring a more secure environment. Automated customer service tools, such as chatbots and virtual assistants, provide 24/7 support, enhancing the customer experience. AI also optimizes contact centers and field service teams by improving response times, while regulatory compliance is streamlined through automated checks, reducing manual effort and minimizing the risk of errors.

Top 5 Industry AI/GenAI Use Cases in Banking



Augmented Fraud Analysis and Investigation



Augmented Threat Intelligence and Prevention



AI-enabled Customer Service and Self Service



Augmented Field Service and Contact Center



Augmented Compliance and Risk

Extent to which GenAI will disrupt the banking sector's competitive position or business operating model in the next 18 months

20%

Disrupting Now

72%

Will Disrupt in next 18 Months

GenAI in Banking

The banking sector, as an early adopter of AI and GenAI, is rapidly advancing its adoption through substantial investments in technologies such as fraud detection, personalized recommendations, and automated customer support. These innovations enable banks to gain valuable insights into customer behavior, improve propensity modeling, and make more informed, data-driven credit decisions, resulting in significant cost and time savings. By leveraging AI, banks enhance customer insights, optimize credit processes, and streamline operations. This shift is fueling digital transformation, encouraging innovation, and positioning banks for continued growth in a competitive environment. As per IDC Worldwide AI and Generative AI Spending Guide, 2024, the Asia/Pacific region, is seeing accelerated adoption of AI and GenAI, with financial services spending projected to grow at a CAGR of 25% to 31% from 2023 to 2028, driving innovation, scalability, and agility.

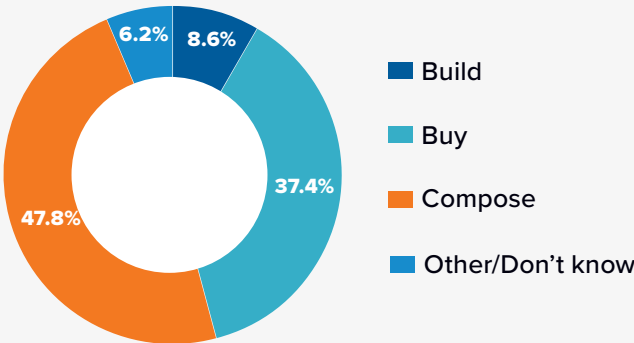
GenAI Adoption Approach in Banking

Banking organizations favor composing GenAI solutions (47.8%) for their flexibility in tailoring AI tools to specific needs. This approach enables integration of diverse models and components, avoiding the constraints of off-the-shelf solutions or the high resource demands of building from scratch. However, it requires robust infrastructure,

expert support in security, data management, and skill development to ensure seamless and secure deployment of AI across operations. To navigate these effectively, having a trusted technology partner is crucial, as they can provide the necessary expertise, resources, and ongoing support to ensure the solution is secure, scalable, and aligned with regulatory requirements.



GenAI Adoption Approach in Banking



Compose: fine-tuning an existing GenAI model (usually open source) on top of an enterprise AI platform.

Build: developing a foundational model using institutional data.

Buy: leveraging enterprise applications with GenAI capabilities or native GenAI applications.

Top GenAI Use Case Areas by Function in Banking

- 01 ITOps: Service Performance** – Anomaly detection and service observability
- 02 HR: Recruitment and Talent Acquisition** – Job requisition drafting
- 03 Procurement: Supplier Relationship Management**
- 04 Legal: Policy and Contract Management** – Policy change management and repository management
- 05 Customer Service: Training** – Onboarding, reskilling, and simulations

Conclusion

The integration of AI-driven technologies is revolutionizing the banking sector. By enhancing security, mitigating risks, and protecting customer assets, these solutions empower financial institutions to navigate the complexities of modern financial challenges. Leveraging advanced analytics and real-time monitoring, banks are not only improving operational efficiency but also fostering a more secure and trustworthy environment for their customers. This commitment to innovation is crucial for ensuring the safety of financial transactions in an ever-evolving landscape.

Source: IDC WW AI Use Case Survey, July 2024 (Asia/Pacific n = 919, Asia/Pacific, Banking/Finance . n = 173.)



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