

BENEFITS AND DISADVANTAGES OF AI IN THE FINANCIAL INDUSTRY

Artificial Intelligence (AI) has replaced reams of paperwork traditionally used in the financial industry when customers apply for loans, short-term insurance, make deposits or withdraw money. From a mobile phone, clients can transfer money, shop online with their credit cards, buy airtime, pay utility bills or buy insurance without interacting with staff face to face or over the phone.

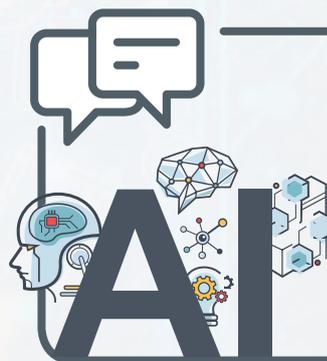
The financial sector is rapidly engaging in AI in a bid to stay on top of their markets and provide their customers and clients with the best service delivery possible. Nikulsan (2018), an international digital marketing agency, brilliantly explained how the global financial industry is benefiting from the use of AI.

- **Fraud prevention** – Through machine learning, AI systems can monitor and detect irregular or anomalous behaviours in transactions and purchases and flag them to be checked by experts.
- **Customer service** – Artificial Intelligence run chat bots and conversational systems are programmed with advanced language processing engines and are trained to identify specific keywords and answer specific customer queries.
- **Better trading information** – AI systems can trawl through large amounts of customer-related data faster and more efficiently. This enables financial service providers to better understand behaviour traits of customers and prospects, enabling them to quickly predict and determine trends and outcomes.
- **Risk assessment and minimisation** – AI can be useful for reviewing large data caches and financial histories of companies and the market at large. This makes it useful in assessing and pointing out business and investment risks which can then be addressed and resolved. AI can also be programmed to make investment decisions autonomously using processed information or with human oversight.
- **Determine credit worthiness** – AI systems can help banks; credit companies and other similar firms determine which customers or businesses are safe to provide loans to and which are not.
- **Automate processes** – By applying sorted and analysed customer data, AI systems can help automate processes and tasks.
- **Ensure compliance to regulations and rules** – AI systems can be used to develop a framework to help ensure that regulatory requirements and rules are met and followed.
- **Offer business advice and recommendations** – AI systems can be used to track investment patterns in the market and offer investment advice to both companies and customers.
- **Maximise resources** – Through the application of AI, providers of financial services are enabled to efficiently provide their services while also saving resources like time, money and human effort.

While there are significant benefits of AI in the industry, the disadvantages of AI taking over the financial industry cannot be ignored. These include:

- **Job losses** – Replacement of the workforce with AI could lead to huge job losses and unemployment.
- **High cost** – AI development, implementation, maintenance and regular upgrades are complex and require expert skills therefore the cost involved is high.
- **Judgement decisions during customer service** – Although AI is programmed to learn and improve, it still cannot make judgement calls or decisions as humans would.
- **Corporate governance power** – AI can give an advantageous or unjustified power to the few individuals who are managing it.
- **Humans losing their mental capacities** – The excessive use and dependency of AI in the financial sector will reduce need for humans to use their intelligence, lateral thinking, expertise and multitasking abilities.
- **Data risks** – The performance of AI is largely dependent on data quality and lack of bias in processing. The existence of bias in the results of algorithms may jeopardise both those firms that use them and their customers, due to the risks of discrimination or inadequate advice.
- **Cyber security issues** – Using AI automates repetitive tasks and increases the volume of IT interconnections. This automation thus increases the number of potential breaches that can be exploited by cyber criminals.

AI is an inevitable phenomenon in the financial industry. Stakeholders such as investors, businesses, politicians, labour unions and finally customers will have to find a legitimate platform for weighing the benefits and disadvantages of AI. The South African financial industry is ethically duty bound to be more prepared to make informed decisions that embraces AI to improve profits and customer services by finding innovative ways to minimise disadvantages and harmful risks such as huge job losses.



FRTC offers a host of BANKSETA & INSETA learning programmes that assist corporate clients to ensure that their labour forces are ahead in terms of AI and regulatory requirements with our learning programmes, as they include prudential requirements and compliance methodologies that ensure staff are ahead of AI.

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