AI-Powered Decision-Making, Self-Service Models, and Embedded Finance

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Banking and Financial Services in 2025

The banking and financial services sector experienced a volatile 2024 — and the next 12 months look to be just as unpredictable. Despite inflationary pressures starting to subside and interest rates steadily dropping, continued geopolitical shocks, regulatory uncertainty, and lingering questions over economic growth are giving the leaders of financial institutions pause.

At the same time, the sector is navigating a complex digital transformation landscape. Facing the dual challenge of modernizing legacy systems while simultaneously delivering seamless, personalized, and secure financial experiences for consumers, it's no surprise that an AI-first transformation approach will be key to accelerating tech modernization, at scale.

Banking leaders already recognize that AI capabilities will be a powerful differentiator for shaping the future of their organizations in a rapidly evolving and highly competitive market. The majority of financial institutions expect to adopt AI-driven solutions by the end of 2025 across a variety of functions, with AI reimagining operations, reducing costs, and driving revenue growth. In fact, research suggests AI could propel the global banking industry to profits of $2 trillion by 2028.[1]

Key to achieving this will be overcoming foundational barriers such as data quality and organizational silos, system integration headaches, and risk management considerations. These challenges are hampering the broader success of AI initiatives and delaying the introduction of innovative new business models, affirming why efforts to modernize core banking infrastructure must accelerate in 2025. This is especially true when you consider that 70% of banking leaders report legacy infrastructure as being the top digital transformation challenge,[2] and only one-quarter feel their data management platforms are fully prepared to adopt AI tools.[3]

Opportunities on the Horizon for Banking and Financial Services in 2025

- **AI-powered decision-making:** Predictive analytics is opening doors for banks to drive value across the customer lifecycle, processing and analyzing complex financial data at scale as well as personalizing advice, recommendations, and offerings based on historical data, behavior, and preferences.

- **Self-service models and personalized banking:** Financial institutions can reduce support costs, simplify interactions, and enhance customer satisfaction by deploying chatbots to handle routine queries like balance checks, fund transfers, and account inquiries.

- **Embedded finance:** Given the growth potential associated with integrating financial products into the digital platforms of non-banking service providers, it should come as no surprise that embedded finance is expected to grow to a $7.2 trillion industry by 2030.[4] For banks and financial institutions, this creates new diversified revenue streams.

Strengthening these AI foundations will help banks and financial institutions set the stage for growth in 2025 and beyond, unlocking a series of new opportunities. Let's look at the core technological building blocks that will help to achieve this, and how the right investments can unlock the digital performance needed to respond to shifting market demands.

AI-Powered Decision-Making

Financial institutions face greater pressures on profitability than ever before. Being able to make more informed decisions to better mitigate risk, and leveraging machine learning models to determine the best way to interact with each customer in real time, has the potential to deliver tremendous value across the board.

From strengthening customer acquisition through advanced automation and deeper personalization to lowering operating costs by automating document processing and review, AI can bring flexible, fully automated decisioning capabilities to the core of banking. Yet, this will be impossible without a robust, modern data layer.

Having said that, as this data layer gets established, it's important to consider how AI-powered decision-making will expose financial institutions to heightened scrutiny around ethical practices and data governance. Especially considering the complex regulations they face locally, regionally, and globally. Increasing regulations related to financial accountability, payments, data privacy, and cybersecurity will demand rigorous data integrity and security, which must be set in place from the start.

Focusing efforts on the following building blocks will help financial institutions achieve this goal:

Data and analytics: Financial institutions need integrated data pipelines from a variety of sources to deliver on AI-powered decision-making. That data must also be clean, accurate, structured, and managed as part of a robust data governance framework.

- Creating a cross-functional team with stakeholders from IT and business units can help streamline data integration and minimize internal roadblocks.

Cloud infrastructure: Accelerating the transition to cloud computing is essential. Not only will migrating data to a centralized cloud-based platform help to further reduce data silos, but it'll provide the compute power to analyze vast data sets at speed and to deliver the real-time insights needed for more personalized consumer interactions.

- Consider how best to scale migration to the cloud. Cloud providers increasingly offer AI solutions that are tailored to the needs of financial institutions. Adopting a multi-cloud strategy will be important to tap into those different offerings while also avoiding vendor lock-in.

Application modernization: Legacy applications will need to be modernized to fully integrate AI into decision-making processes.

- Start by refactoring key applications to integrate AI capabilities and increase agility in the future, migrating to a microservices architecture to more easily integrate with AI tools.

Digital operations: AI can help streamline data collection and segmentation. This is an important step towards introducing new automated digital workflows for time-consuming and heavily manual processes such as KYC, loan approvals, and reconciliation.

Cybersecurity: For financial institutions, securing data isn't just about protecting sensitive customer information; it's ensuring compliance with global regulations and safeguarding the integrity of AI-driven decision-making processes. First steps towards this include ensuring data is encrypted in transit and at rest, and personally identifiable information has been anonymized to minimize the risk of exposure of sensitive data during AI processing.

- Adopt role-based access control with the principle of least privilege to ensure that only authorized personnel can access or modify sensitive data, and only for the duration of the task they need to perform.will be important to tap into those different offerings while also avoiding vendor lock-in.

Ethical AI: Ethical AI in banking will be a priority amid stricter regulations and growing consumer demand for transparency. Banks must ensure fairness, data privacy, and bias-free decision-making while balancing innovation with trust in AI-driven services like fraud detection and risk management.

Intelligent Loan Origination for Smarter, Faster Loan Processing

For a leading bank with a multinational footprint, loan origination was a manual and time-consuming task. They were looking for a way to improve accuracy and efficiencies in the decision-making process.

Sutherland implemented a solution that uses AI to process loan applications in real-time, analyzing creditworthiness through alternative data sources like payment history and social behavior.

THE IMPACT:

40%
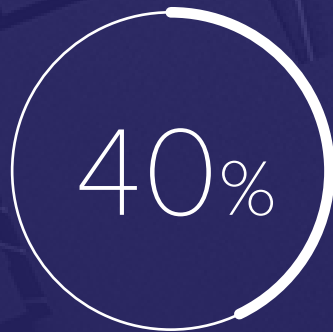
faster loan
processing times

BANKING AND FINANCE

Self-Service Models and Personalized Banking

Every industry is feeling the effects of a seismic shift in customer expectation. For banks and financial institutions, a perfect storm of digital-native consumers, rising trust in Fintechs, and evolving financial habits are making it essential to deliver cohesive, transparent, personalized experiences.

Customers today demand seamless interactions across mobile apps, web platforms, and physical branches. As digital natives, they're also showing a voracious appetite for emerging technologies and are increasingly using generative AI-powered chatbots for intuitive, instant responses to complex queries. At the same time, they expect those responses, as well as the advice, products, and services they receive, to be hyperpersonalized both to their needs and unique financial journey.

Focusing efforts on the following building blocks will help banks and financial institutions unlock next-level value:

Data and analytics: Capitalizing on the robust data layer introduced to enable AI-driven decision-making is the cornerstone of hyperpersonalized banking interactions. With this in place, advanced AI models and predictive analytics will help financial institutions segment customers based on demographics, behavior, preferences, and history to create targeted customer personas and profiles for more tailored offerings.

Cloud infrastructure: As the demand for always-on, omnichannel service continues to grow, banks need scalable infrastructure to ensure performance. Migrating critical apps and data to cloud environments, banks can reduce operational costs while enabling scalability and resilience.

- Storing customer data in AI-powered data lakes enables real-time insights from multiple data sources that banks can use to customize their offerings and support to suit individual financial journeys.

Application modernization: Mobile apps and digital platforms must be modernized to incorporate AI capabilities that can deliver on consumer expectations for frictionless omnichannel experiences, including chatbots and hyperpersonalized products, services, and advice.

Cybersecurity: As breaches and fraud schemes increase in regularity, severity and sophistication, customers want to know that they are safe and secure wherever they are transacting. Real-time fraud alerts, data security, and ethical AI practices will be paramount to retaining customer loyalty.

Hyperpersonalized
Wealth Management in Action

A global firm providing financial services in over 50 countries was looking to differentiate their offerings to elevate customer experiences. Sutherland deployed an AI-driven solution to provide hyperpersonalized investment strategies based on clients' risk profiles, goals, and market trends.

THE IMPACT:

15%

Increased client retention

BANKING AND FINANCE

Embedded Finance

In a world where consumers want easier, faster, simpler, and more convenient ways to transact and interact, financial institutions have an opportunity on the horizon to partner with service providers to make embedded financial services part of non-financial products and platforms.

Embedded finance solutions such as Buy Now, Pay Later (BNPL) are increasingly becoming mainstream, with global transaction values projected to reach $576 billion by 2026.[5]

However, legacy banking systems limit the integration of digital solutions that will enable this type of industry advancement. AI-first transformation stands as a key enabler of this shift, delivering a smooth integration with third-party platforms and providing the insight and actionable intelligence needed to deliver seamless, real-time, personalized financial services.

Data and analytics: Embedded finance requires being able to process contextual data in real-time. A robust data analytics layer enables seamless, personalized financial offerings through the integration of actionable insights across platforms and partners.

- Consider establishing secure, compliant data-sharing frameworks that can be used with external partners and platforms. And deploy machine learning models to analyze consumer behavior across those platforms to provide personalized finance offerings based on their usage and behavior.

Cloud infrastructure: The cloud enables embedded financial solutions at scale, allowing financial services to be delivered to large volumes of customers quickly and securely.

Application modernization: Outdated systems slow down innovation, create bottlenecks, and limit the scalability of AI-driven solutions. Upgrading systems with AI and cloud-native technologies is the most effective way to address these constraints and accelerate and enable interoperability and omnichannel experiences across ecosystems.

- Investing in an API-led infrastructure will make it far easier to integrate banking products into third-party platforms, allowing financial institutions to reach new customers through non-traditional means.

Cybersecurity: Further strengthening data protection and security measures will be important. As customer data is shared across platforms and from non-financial partners, financial institutions will need robust protection mechanisms to maintain consumer trust and adhere to privacy regulations.

An AI-Driven Roadmap for Sustainable Growth in 2025

Delivering on these opportunities will require financial institutions to invest in AI-first transformation to enable powerful AI-powered decision-making, seamless self-service and personalized offerings, and embedded finance to expand the accessibility of financial services.

In 2025 and beyond, it will be critical to leverage AI, automation, and cloud computing effectively across their operations to deliver digital performance and personalized, seamless, and secure experiences that meet evolving consumer expectations and shifting market dynamics. Those that do will gain a clear strategic edge.

Unlocking Digital Performance. Delivering Measurable Results.

At Sutherland, we are a leading global business and digital transformation partner. We work with iconic brands worldwide in Healthcare, Insurance, Banking & Financial Services, Communications, Media & Entertainment, Technology, Travel & Hospitality, Logistics, Retail, Energy & Utilities industries. We bring our clients a unique value proposition through market-leading technology and business process excellence. Leveraging our advanced products and platforms, we drive digital transformation, optimize critical business operations, reinvent experiences, and pioneer new solutions, all provided through a seamless "as a service" model. For each company, we tailor proven and rapid formulas to fit their unique DNA. We bring together human expertise and artificial intelligence. In short, we do digital chemistry. It unlocks new possibilities, great client partnerships, and transformative outcomes.

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