

A man with grey hair and glasses is smiling while working on a laptop. He is wearing a grey blazer over a black shirt. The background is a blurred office setting with a window.

5 Benefits of using predictive analytics in banking

Common Challenges Banks Face

Banks are tasked with analysing an extraordinary amount of data. Common objectives of financial data analysis are fraud management, customer acquisition and retention, predicting credit card and loan default risks, gaining customer insights for effective decision making, as well as complying with legal and regulatory requirements.

Sophisticated data analytical models and tools are required for effective data analysis.

The fact is that many banks are not taking advantage of software and tools that are fit for purpose.

Instead, many banks use limited means such as basic reporting and merely descriptive and diagnostic analytics. This rudimentary approach produces an excessive number of false positive alerts that require significant time and labour to investigate.

The Solution

The most successful tool sets that banks can use are predictive analytic solutions. These solutions identify patterns found within historical data and events and compare them to current systems and data. It utilises analysis techniques of highly sophisticated AI principles and multiple learning algorithms. The results of predictive analytics either offer actionable insights to banks' internal teams and processes or result in automated resolutions.

Financial institutions that neglect the use of predictive analytics are more likely to experience unnecessary costs, risks, non-compliance, and missed opportunities.

Predictive analytics offers financial organisations a 360° view of their customers, which helps them prevent financial crime, be more compliant, and optimize customer sales and marketing engagements.

Incorporating predictive analytics in just one business area can create ripple effects across the organisation: improving data literacy, streamlining data collection processes, and adopting the mindset of making data informed decisions.

Villamor, 2019

There are many benefits of predictive analytics, but we will examine five key common advantages that it can offer banks

- 1** Predictive analytics offers high process security and efficiency. Limited analytics are more likely to produce inaccurate results that take up significant resources and hinder operational efficiency. Whereas predictive analytics is more effective in identifying an optimal number of accurate alerts, which allows more time for employees to work on the items raised.
- 2** In general, predictive analytic solutions can offer effective credit risk analysis and management. It offers banks the means to decrease their risk exposure and secure their assets. Advanced analytics creates highly accurate credit scoring models, which can produce significant predictions of customers' default behavior through analysing their characteristics and payment history.
- 3** Advanced analytics can help reduce a banks' overall risks as it takes on an intelligence driven approach that allows them to have powerful preventative, detective, and enforcement measures. This could mitigate a variety of risks such as legal risks in compliance (e.g. anti-money laundering and fraud risks), reputational risks, financial risks, as well as reducing banks' customer churn rates.



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- 4** Higher profitability is possible with predictive analytics as it improves customer experience, optimises sales campaigns, and increases customer retention rates. Advanced analytics produces valuable customer insights that inform banks on how they can make data informed decisions about resource distribution and what inefficient processes and resources they can eliminate. Customer insight drives customer satisfaction as it allows banks to have targeted marketing and sales campaigns, avoiding irrelevant and excessive marketing and sales interactions.
- 5** Predictive analytics are able to increase efficiency in the daily operational processes of banks. More specifically, these analytics can provide critical insights that identify applications that will produce faster and more accurate results when automated. Through analytical insights, banks can prioritise their activities on essential tasks.

Key Takeaways

The task of effectively analysing and investigating a substantial amount of data on a continuous basis can be a significant challenge for banks. This vital task will never go away, but rather continue to grow at an exponential rate.

The benefits of predictive analytics as a solution are theoretically real, however, they will only come to fruition when appropriate sophisticated software is used. Not all software solutions are the same, as some are more successful than others in helping banks capitalise on the benefits of predictive analytics.

Banks should consider the following capabilities when selecting solutions:

- text and data analytics
- highly sophisticated algorithms that are applied for high automation of model building and design
- automated feedback learning
- secure and high introspective integration models that allow multiple data source integrations
- processing modules for high performance processing
- flexible business workflows' that notify and assign relevant people to tasks and
- real time process monitoring and control

Overall, even if banks don't have an appetite to apply predictive analytic solutions to their whole organisations it is still incredibly advantageous for them to apply it to one department or area as it will produce vast benefits. For more information on successful predictive analytics software, contact Prospero.

Who we are and how we can help you.

Prospero was founded more than 20 years ago to assist businesses in getting value from their own data. Prospero finds and reports opportunities and risks in business. Their solutions offer significant predictive power that is combined with modules that optimise and automise businesses. All Prospero analytical solutions are built on DetectX, Prospero's powerful predictive analytics platform.



DetectX is a software layer that provides advanced data mining and predictive modelling software functionalities that are based on enhanced methods from the area of machine learning. Besides the pure modelling capabilities, the platform also provides data manipulation, processing, querying, analysis and many other services through a unified API. All these services are used for the flexible implementation of the autonomous modelling processes on top of the DetectX platform. The DetectX solutions look at specific data sets, finds patterns, and makes predictions about possible desirable and undesirable outcomes through an intuitive alter system and defined workflows.

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