VIEW POINT

POWERING COMMERCIAL BANKING THROUGH ARTIFICIAL INTELLIGENCE

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Introduction

The power of the human brain has been a constant source of fascination for scientists, challenging them to decode its brilliance and recreate it through machines, opening and unlocking possibilities that promise to enhance human lives and the world we live in.

With the growth and unprecedented availability of computing power, technology has made significant breakthroughs in man-machine interactions. Today, Artificial Intelligence (AI) has become mainstream, growing from an earlier generation of machine learning and data models to become generative AI and neural networks.

Digitally savvy organizations view AI as an ally that can facilitate innovation through insights at a velocity and scale that empowers them to differentiate among their competitors. AI equips banks and other financial services companies to constantly improve the quality of their products as well as many other aspects of customer experience. Omnichannel strategies and hyper-personalization increase customer intimacy and open new ways to attract and retain customers.

ARTIFICIAL INTELLIGENCE

can also handle heavy workflows, reducing costs and automating repetitive tasks, leaving space for people to focus on building a solid strategy to navigate digitalization.

Like many other industries, financial services finds itself at the cusp of a new era that is driven by the power of AI. Financial institutions are expanding AI to improve customer experiences and back-office processes, and the AI powered solutions are driving a paradigm shift in their business operations. The industry is even expected to spend over $300 billion by 2030.

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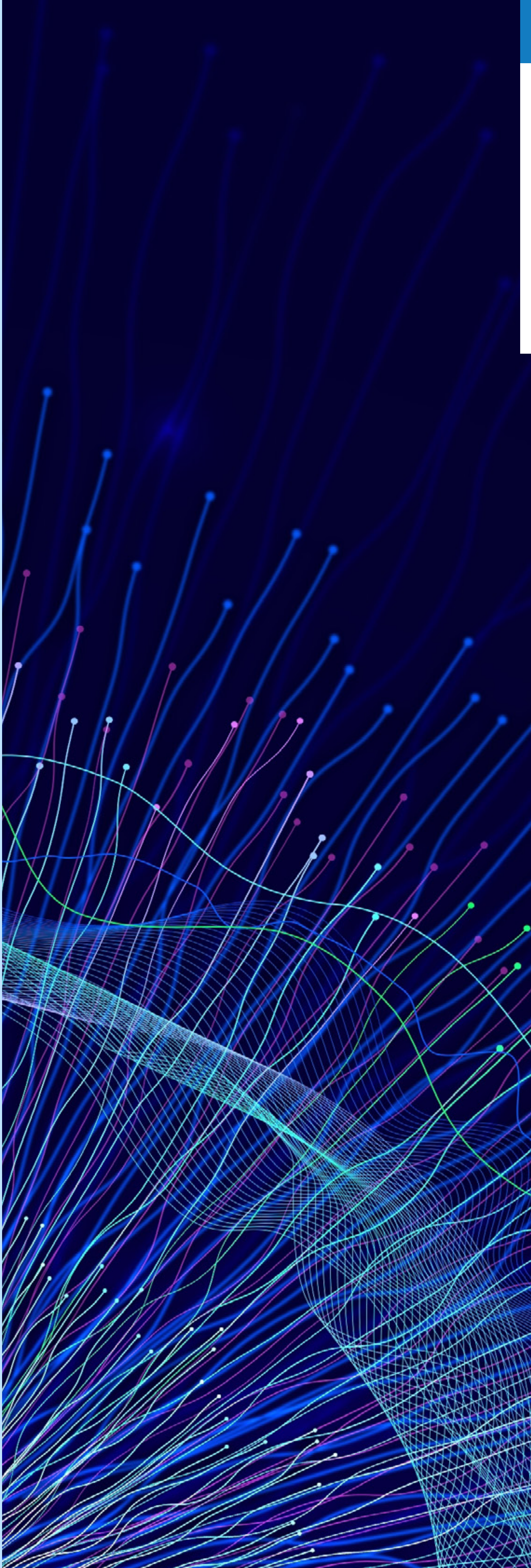

Beyond Consumers: Raising the Bar for the Commercial Banking

Many companies, including commercial banks, are already using AI and machine learning to improve their business operations in various ways, such as customer engagement, fraud management, optimizing underlying processes, credit decisioning, quantitative trading and other aspects of risk management.

But as the competition from fintechs and neo-banks intensifies, many banks are rethinking investment strategy in their technology stack with an increasing desire to automate and innovate at scale.

While some banks are early adopters and setting the standards, there is still more great potential for commercial banks to leverage AI within many components of their business operations, such as the following use cases.

Customer experience and hyper-personalization

For a good customer experience, it's necessary to accelerate onboarding, deeply understand customer behavior, and predict customer needs, which requires intelligent automation and regular data mining through machine learning algorithms. While IVR and virtual assistant propositions have been used to simplify customer interactions, concepts like client journey, conversational finance and biometrics profiles take the customer experience to the next level. Hyper-personalization is the process of tailoring products and services for individual users, with features such as predictive product recommendations to create customer intimacy.

Regulatory compliance and consent orders

Meeting regulatory challenge is an onerous ongoing challenge, given the non-negotiable nature of data quality at the scale that the banks need to comply with. AI has been critical in addressing the data quality issues across product silos as banks have to deal with copious legislations in all the geographies they operate in. AI has also been pivotal in helping the banks meet this challenge in a cost effective and time sensitive manner.

Loans underwriting and credit decisioning

AI can be a significant ally in risk mitigation and in preventing financial disasters. Financial services organizations can improve their capital allocation and risk underwriting decisions by integrating multiple data sources in real time and deriving insights from a more comprehensive data set. Businesses without AI are usually not able to process large data sets and typically rely on smaller sample size that often leads to poor and risky decision making.

Liquidity management

Investment analysis is another area where AI has been revolutionary and will continue to be instrumental. AI has been used to suggest investments to clients based on their risk profile, investment tenure and portfolio structure. This requires AI models to ingest market data, analyze the transaction costs and give the users different options for investing where it makes sense. This requires AI models to ingest market data, analyze the transaction costs and give users different options for investing where it makes sense These options could be across markets, currencies and products.

Making Digital Transformation a Reality for Commercial Banks

AI is fundamental to commercial banking business operations – without the right AI strategy, a commercial bank could fall short in delighting customers, staying competitive and meeting regulatory challenges.

By starting small and exploring quick wins, banks can build momentum to keep AI-first innovation at the forefront of employees' and customers. By creating an AI-first culture, all parties involved will feel empowered to embrace the next phases of this emerging technology.

As new forms of AI enter the industry, though, governance and careful planning becomes critically important to address the calls for ethical AI that are growing stronger.

Banks are already in possession of massive amounts of customer data, and the entire AI-first approach is based on firms' ability to decipher insights from the data. With each new development, the industry must determine what data we can process, leverage and share. These concerns may seem challenging for banks to navigate, but they are imperative to overcome to remain competitive and at the forefront of this next frontier.

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Author

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Rahul heads the Global Commercial Banking practice for Infosys. He is a seasoned banking professional with more than 20 years of experience in product management and technology for US and European banks. Over the course of his career, he has been involved in succesfully leading several transformational programs in the wholesale banking space around payments, credit and operational risk management.

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