WHITE PAPER

BANKING ON DATA AND AUTOMATION FOR RESILIENCE

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Digital transformation in financial service institutions has been under way for several years, a trend that is accelerating due to the COVID-19 pandemic. For many, mobile wallets are quickly replacing credit and debit cards as an in-store payment option. But during the pandemic, e-wallets have further risen in prominence as a safe, secure and effective contactless payment channel.

As more banking services and operations move online, leaders are evaluating what the future will look like as the pandemic persists and what investments they must make now to thrive in future. Some predict hyper-care human-like assistants may soon deliver superior digital experiences virtually for a bank's customers and prospects.

But first, banks need to equip themselves with a solid technology core that powers strong data, analytics and automation-led solutions.

Data and Automation for Innovation

Many banks struggle to move from exploring and experimenting use cases to scaling AI technologies across the organization. The main reasons for this are fragmented data assets and outdated operating models that hamper collaboration and sharing among business and technology teams. Monolithic legacy systems are often inflexible in supporting new technological investments, leading to low returns. Without a data-driven ecosystem, banks are unable to scale innovations like open banking, APIs, agility, and a fail-fast approach.

The shift of age-old legacy systems from on-premises to cloud sets the foundation for greater levels of automation, flexibility and innovation. It allows FSIs to apply data and analytics solutions that:

- Automate routine functions and support safe data mining for analysis
- Draw meaningful insights to facilitate transactions and enhance customer experience and loyalty
- Access real-time behavioural insights for risk-aware decision-making
- Boost productivity and efficiency through improved collections, credit management and fraud mitigation
- Increase profitability through intelligent budgeting, forecasting and reporting

Since COVID-19 disrupted the global economy, digital engagement has risen to unprecedented levels and many big tech companies want to tap into market opportunities offered by FinTechs in banking. As digital natives eat into market share, incumbent banks must transform into AI-first organizations and unlock hidden value from their historical datasets. Consider how technologies like natural language processing and optical character recognition solutions simplify various activities like loan document processing and underwriting while machine learning models provide key insights in areas such as credit decisioning. Such capabilities will equip banks with the ability to curate hyper-personalized customer experiences and give them the edge to compete successfully in a disruptive world.

Invest in AI – wisely

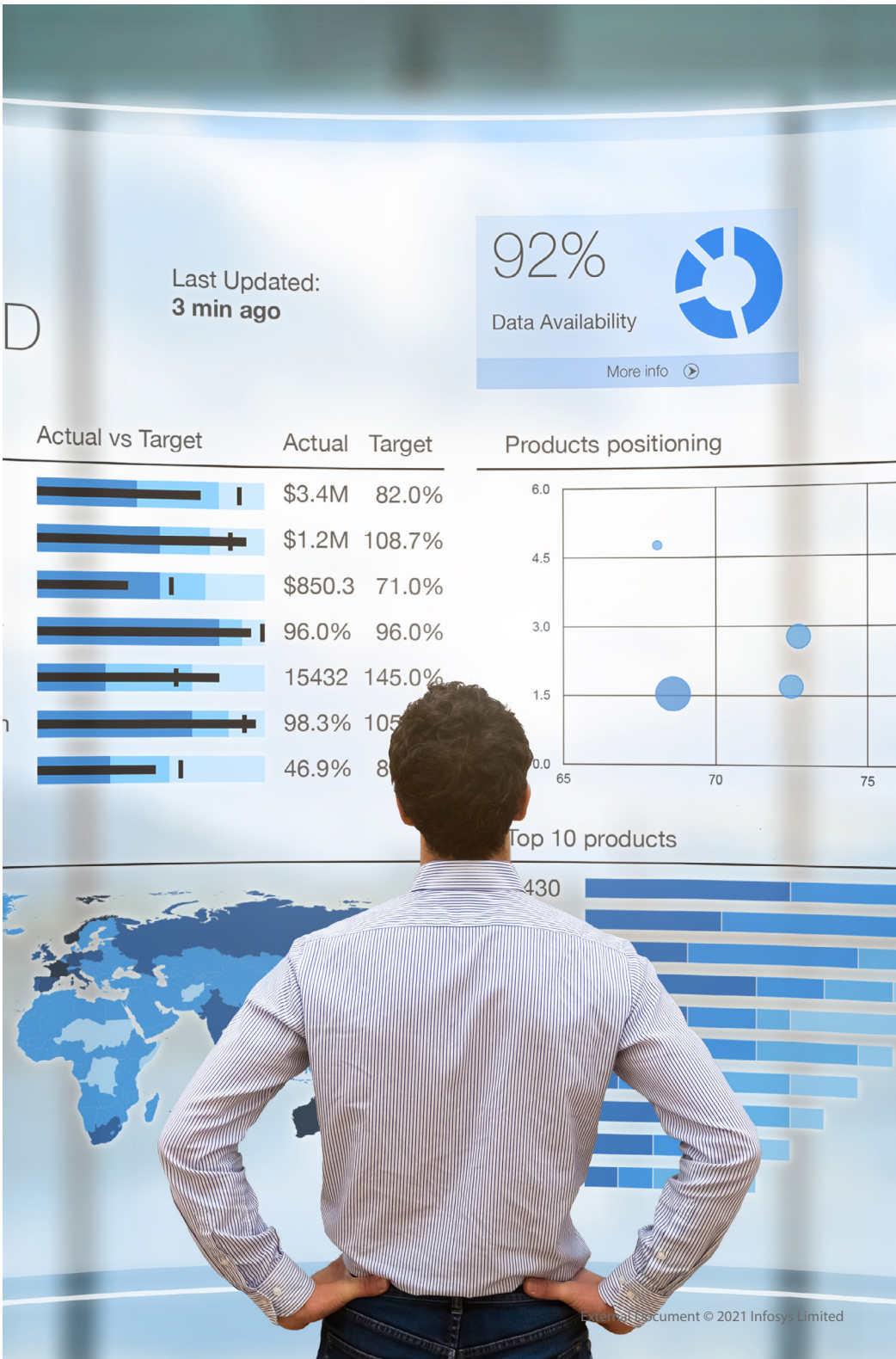
Banks expend enormous amounts of time and money to restructure and modify loans. Defaults, when they occur, result in significant losses that can be avoided by predictive insights. One such bank was struggling with 1.5% default rate that threated to hit double digit growth in the wake of the pandemic, especially when government funded programs expire. Infosys deployed an AI-led solution that is helping the bank tap into data so they can pre-emptively identify potential defaults in an intelligent and proactive manner. Apart from saving the bank significant revenue losses, the solution cements customer loyalty by personalizing the service to match the individual's circumstances.

The aggregate potential cost savings for banks from AI applications is estimated to be US $447 billion by 2023 with the front and middle office accounting for US $416 billion of that total[1]. To reap benefits like this, financial institutions should focus on three key areas when leveraging AI and automation. These are:

- Conversational banking
- Know-your-customer and anti-money laundering (KYC/AML)
- Business process optimization

To begin with, banks need a well-defined data center strategy whereby they establish a cost-effective, secure, fully automated and cloud-enabled environment. Besides heavily cutting costs on infrastructure maintenance, it can help banks reinvest savings into other transformation programs. Armed with a robust data center, organizations can gradually shift from monolithic legacy to a cognitive core that applies advanced analytics on high velocity, variety and volume data. Such a core can scale easily and flexibly to accommodate new functionalities and modules. For instance, it could apply APIs to leverage open banking, vastly enhancing a bank's portfolio of offerings. Other features could include provisioning virtual agents to handle customer and client journeys and setting up lightweight lending and ecommerce platforms to tap into underserved markets. It could also support innovation through digital factory models that allow banks to test, learn and research concepts for banking in the future.

Surviving disruption in the digital economy means imbibing lessons and preparing for the next wave through deep-rooted technology changes as well as organizational culture changes. Banks must ready themselves for next generation banking models, powered by AI and new technologies, if they are to achieve resilience and thrive in an uncertain future.



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His responsibility includes enabling financial institutions and banks to accelerate digital transformation with agile solutions to optimize their client journeys and product offerings. He holds a Bachelor of Technology from the Indian Institute of Technology Delhi, New Delhi, India, and lives in Smyrna, GA, USA.

References

https://www.businessinsider.com/ai-in-banking-report

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