A Refresher On Automation And AI

by Steve Brown Topics: AI, technology, performance

Summary: With all the focus on artificial intelligence, it can be easy to overlook a far simpler but effective cousin: automation. Today, we look at how automation (then AI) can help your institution.

According to Pew, 18% of Americans admit to seeing a ghost and 29% say they have "felt in touch" with a person who has passed. Whatever you believe in connecting with people who have passed or from the past, today we shift your focus to the future.

With all the focus on artificial intelligence (AI), it can be easy to overlook a far simpler but effective cousin: automation. For community financial institutions (CFIs) watching the rise of AI solutions at big banks, and worried about being left behind, much simpler automation can provide a way to improve processes and profits with a quicker return on investment (ROI).

Simple automation may seem somewhat of a relic in today's fast-moving world. In fact, it is just a step away from AI. While the ROI for automation might be lower, the impact on a CFI's bottom line nonetheless could be big.

For many CFIs that still rely on tedious manual processes for back office functions, automation can help. There are a host of products in the marketplace that can provide such automation. In more elegantly updated terms, this is also known as robotic process automation (RPA). RPA is a fancy way to say you are using programming software to automate processes and communicate with other digital systems.

Compared to AI, RPA programs can be simple, use little to no data, and be very inexpensive. A CFI that still processes lots of paperwork by hand should be able to automate processes fairly quickly and see an ROI in a short time frame of even weeks.

For those who have already deployed some automation, finding more functions to automate now might be a better move financially than trying to jump into AI at this point.

For CFIs that still do most tasks manually, automation can be introduced one step at a time. Start by choosing the simplest repetitive tasks first, and then move on through the organization looking for new processes ripe for automation.

As a CFI fills out its automation opportunities, AI becomes more attractive as the next step. Machine learning can help as this tool finds ways to improve complex processes, like examining invoices under certain criteria. It actually has the ability to recognize and evaluate information to help in functions, such as underwriting.

For those interested in the outer edges of the possible, there is also deep learning. This is AI that is able to sort of think like a human about issues or processes. For example, a deep learning solution might be trained to detect suspicious account patterns, as it works to quickly identify potential fraud.

The payoff for AI deployed in CFIs is expected to be sizable over the next few years. AI and technology augmentation could provide up to $140B in productivity gains and costs savings for the banking industry by 2025. While those big gains from AI may still be a long way off for many CFIs, simple automation can still provide quick returns on investment.

ECONOMY & RATES

Rates As Of: 02/21/2020 02:19PM (GMT-0800)

Treasury	Yields	MTD Chg	YTD Chg
3M	1.55	0.01	0.00
6M	1.52	-0.01	-0.06
1Y	1.42	0.00	-0.15
2Y	1.35	0.04	-0.21
5Y	1.32	0.01	-0.37
10Y	1.47	-0.04	-0.45
30Y	1.91	-0.08	-0.47

FF Market	FF Target	Fed Disc
1.59	1.75	2.25

SOFR	Prime	Unemp
1.60	4.75	3.60

BANK NEWS

GDP Prediction

Dallas Fed President Kaplan said he expects to see solid economic growth in 2020 and a corresponding GDP of 2.25%. He pointed to easing trade tensions, better news around manufacturing and ongoing business investment.

More Debt

The Fed reports credit card debt outstanding has reached a record $930B in Q4 2019 and credit card debt in serious delinquency (90 days or more) climbed to 5.32%, the highest level in 8Ys.

Why Unlikely

A Bank Director survey finds executives who said they were unlikely to acquire a bank in the next 5Ys said the primary reasons were: preferring to grow organically (75%), concerns about the impact of an acquisition on bank culture (36%) and a belief that M&A would distract from their bank strategy (29%).

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