Persistent

Strategic Roadmap to Unlock $2 Trillion in Profits as an AI-First Bank

Income pressures and cost centers have always plagued banks and financial institutions (FIs). After the 2008 debacle, tightened scrutiny enforced by Basel III norms, Dodd-Frank Act and other regulations mandates banks to maintain higher cash reserves and deploy expensive resources to oversee compliance and governance – leading to an 8% increase in operational costs. Prevailing macroeconomic trends indicate higher delinquencies, cutting U.S. banks' profits by nearly half in the quarter ending in March 2024. Fintechs, with digital products and intuitive service, continue to cannibalize banks' customer base and are estimated to grow in revenue three times faster than traditional banks from 2023 to 2028.

Through these headwinds, Artificial Intelligence (AI) offers banks a springboard. Promising to unlock productivity and efficiency gains, while bolstering optimization through increased visibility and business intelligence, AI can bump banking profits up to $2 trillion by 2028.

But, only if done right. As per a Bank of England study, 72% of firms developed or deployed machine learning models across use cases such as sales, fraud detection, credit decisions, processing, documentation, etc. However, less than 20% of these use cases were business-critical.

AI can only be transformative if it is implemented at scale, underpinned by a a strategic vision that fosters culture of collaboration and agility.

AI Adoption Barriers in Banking and Financial Services

Below are the fatal flaws that keep banks stuck in an AI experimentation phase:

Treating AI as a 'Money Problem'

As banks plan to double down on AI investments through the decade, it is crucial to recognize that merely increasing financial input without a clear vision and understanding of expected returns can lead AI projects astray. Figure 1 illustrates the aggressive financial commitment banks are making toward AI, emphasizing the need for these investments to be grounded in a strategic vision that aligns with business objectives to be able to yield the intended returns. A strategic foresight is what separates successful AI transformations from costly experiments.
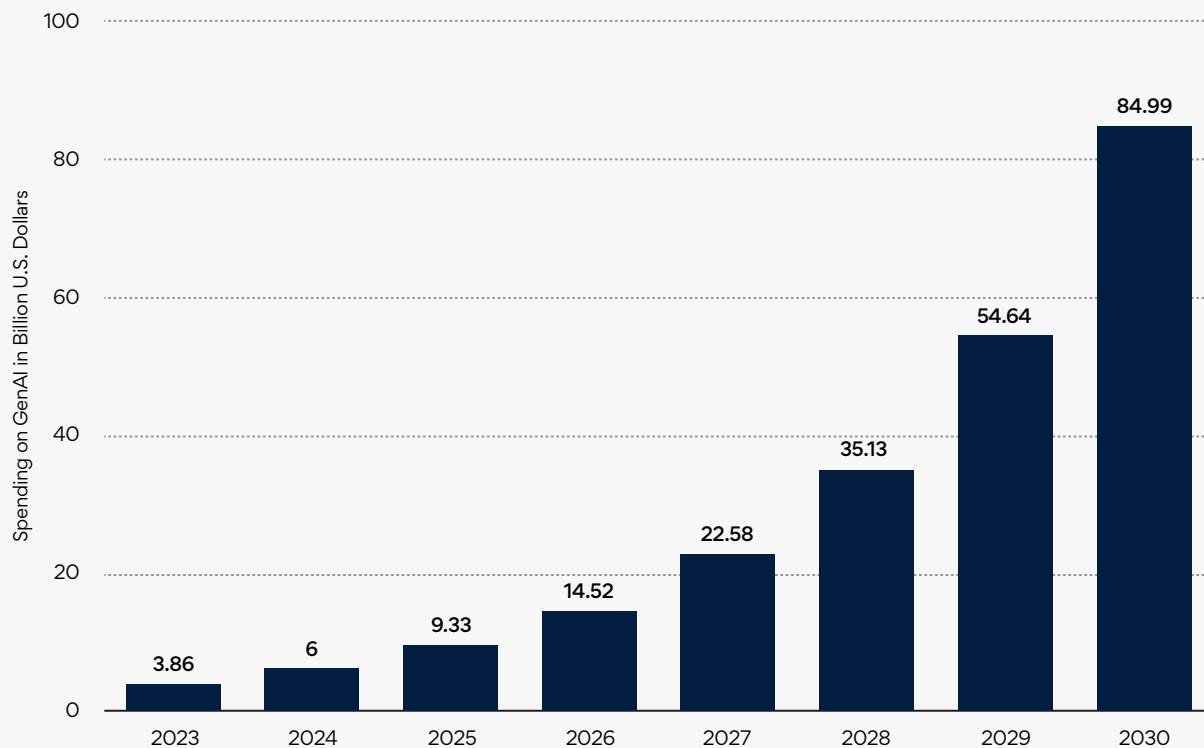
**Figure 1:** Estimated Spending by Banks on GenAI.
Source: Statista

Considering AI a Tech-Only Initiative

AI projects cannot be solely driven by the technology team if they must deliver on business objectives. Compartmentalizing AI results in multiple objectives that could duplicate or undercut efforts or even create headless loops. For example, if a bank's chief technology officer wants AI to handle 80% of customer interactions over a five-year timeframe, but the chief executive officer is concerned about regulatory implications, aligning on or scaling such projects could be difficult.

Keeping AI as a Point Solution

Most cross-functional departments still operate in silos, burdened by legacy technology stacks that do not talk to each other. This hinders scale up, as illustrated in Figure 2 where AI in banking remains largely confined to point solutions, while its application across commercial banking value streams remains aspirational. Banks must establish a holistic approach to AI with enhanced data interoperability between systems and collaboration between internal teams. If AI pilots cannot access multi-dimensional or cross-functional data, scaling them up remains a challenge.
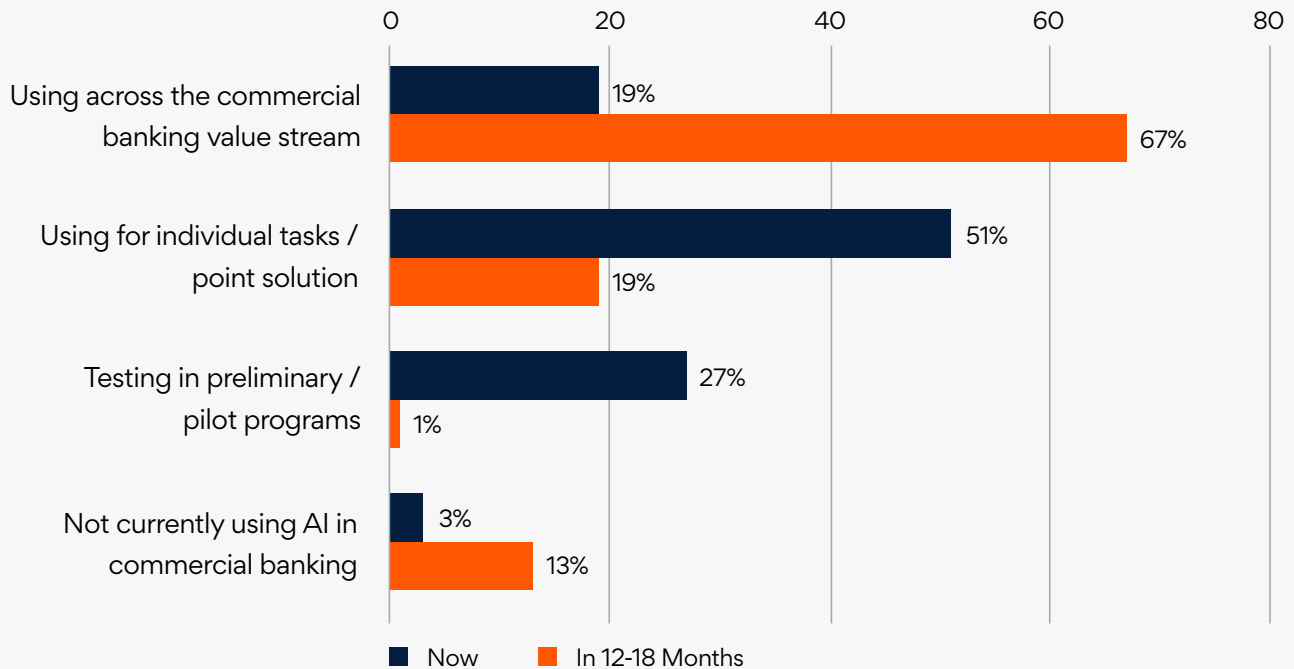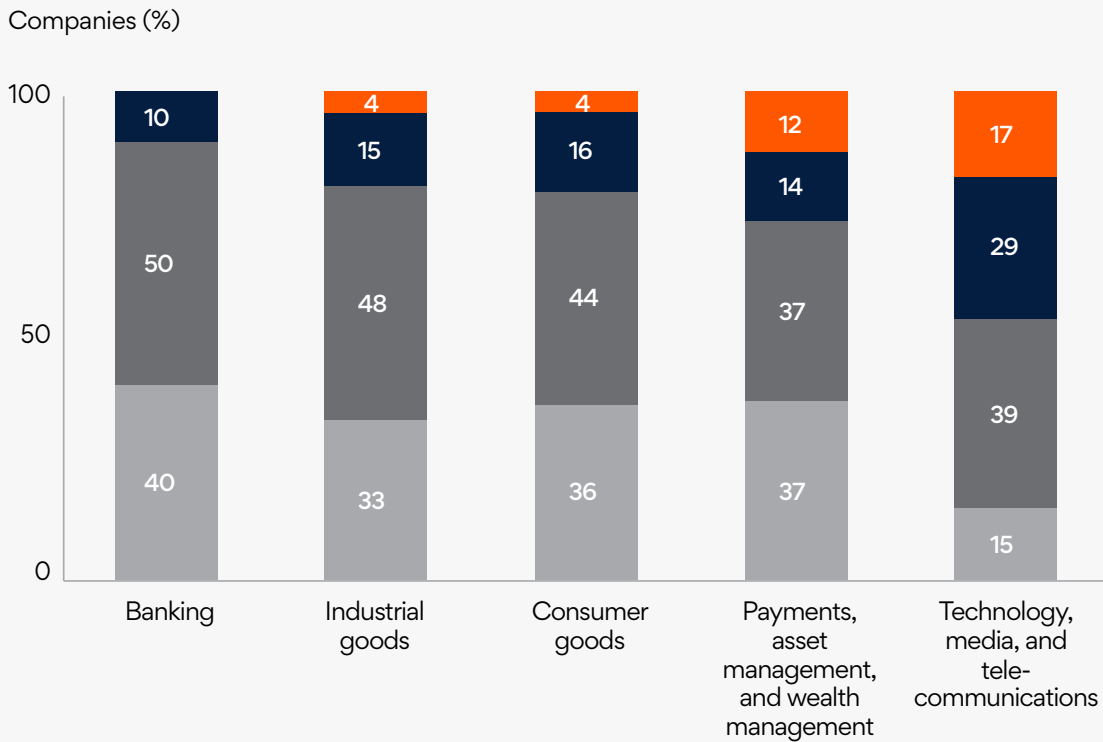

Which of the following best describes your company's use of AI in commercial banking? (% of respondents)

Figure 2: AI Usage across Commercial Banking.
Source: Genpact report on Commercial Banking & Customer Experience Imperative

Being Fence-Sitters

While they accept AI to be a game-changer, senior executives are still caught in the 'wait and watch' mode as they anticipate the technology to mature and stabilize in terms of cost and effort requirements. Figure 3 illustrates how banks lag in systematically scaling and building new AI capabilities – effectively stagnating the return on investment. Compared to the industry's projected AI investment, this lack of commitment to see through the scale-up with the right infrastructure, talent, tools and platforms is counterproductive.

Companies (%)

	Banking	Industrial goods	Consumer goods	Payments, asset management, and wealth management	Technology, media, and tele-communications
Future built		4	4	12	17
Scaling	10	15	16	14	29
Emerging	50	48	44	37	39
Stagnating	40	33	36	37	15

Future built
Continuous innovation by systematically building capabilities at scale

Scaling
Successful digital transformation by pivoting to innovation-led growth

Emerging
Executed digital transformation, but facing challenges in effective scaling

Stagnating
Yet to create value

Figure 3: Banking Lags behind other Industries in Scaling AI.
Source: BCG

Strategically Approach AI with Persistent

With a long-standing AI practice and a strong business consulting base, Persistent can help banks scale up AI, enable real-time customer insights for strategic decisions, and anticipate headwinds. However, setting up AI for scale requires groundwork, and here's how Persistent can help.

Set a North Star

The motivation to adopt AI could be multifold – banks may want a more responsive customer service, could want to accelerate processes, or could want to build intelligence to support strategic decisions. AI can help them do it all – but where and how it could have the maximum impact depends on priorities. General-purpose AI may help alleviate operational costs, but it may not improve shareholder value. Grounding AI use cases, investments, and efforts in business objectives helps banks define a North Star – a guiding principle to achieve the end goal and identify the best-fit technology stack to achieve it. For instance, a leading Fintech firm looking to attract new customers wanted to cater to the 'market of one'. With the hordes of customer transaction data, the bank analyzed spending behavior to identify patterns and recommend products. However, the client needed a GenAI-based solution to automate customer outreach. Persistent leveraged the AWS GenAI ecosystem to develop an email creation engine that works with the client's profiling and recommendation engines to write persuasive emails per the target persona. Our layered AI solution boosts customer lifetime value – strategically contributing to business growth.

Create a Stakeholder-led Vision

A core group of domain and technology experts can help distil repeatable, fungible AI use cases that create the scaffolding for more sophisticated and mature AI setups. An ideal candidate here could be compliance management – a top priority, with governance as a sub-goal. Persistent's AI-powered regulatory change management solution monitors regulator feeds to identify updates and triages them to predict applicability, impact groups, and the right stakeholders to action. It uses GenAI to summarize regulator publications, assess impact, and prioritize action items. It creates a cross-referencing matrix to help stakeholders understand the context and extent of required changes. To streamline actioning, a dashboard helps stakeholders visualize progress and assign the right point of contact to each requirement. This helps banks ensure auditability and governance, while enhancing the overall compliance posture.

AMP-UP Cross-Functional Collaboration

AI pilots are trained on a data culled from wider datasets. To scale AI up, banks and FIs need to boost data utilization by overlaying siloed systems with a platform that facilitates data interoperability. For instance, to process claims, insurers manually consolidate reports with data from PDFs, contact center interactions, KYC documents, and policy papers, leading to high turnaround times and overhead costs. Persistent's GenAI-powered Smart Report Builder adopts a platform-first approach to consolidate cross-functional, multi-factor data and automatically parses it to create reports for real-time insights. Our accelerator redacts personally identifiable information, complies with internal protocols and creates reports with a few simple prompts. It accelerates turnaround times by 30% with 50% faster cross-referencing, optimizing overhead costs by 20%.

Plan for Change Management

AI brings operational visibility that opens space for optimization across processes and people. A Persistent GenAI-powered contact center solution galvanizes customer service representatives and service operations teams to work in tandem to resolve a customer query or complaint. It helps senior leadership with business intelligence to identify high-traction friction points to be addressed. With its productivity gains, AI will impact jobs — but not necessarily negatively. For instance, seasoned marketers and sales managers can be cross-pollinated into AI training teams, where they become domain experts to tune models and monitor accuracy. It is essential to manage employee concerns while introducing AI, which requires avenues to upskill or reskill and define new roles for experts to contribute to the success of AI projects.

Join the AI Revolution in Banking with Persistent

With more than three decades long digital transformation legacy, Persistent has helped leading banks tap into their AI potential with a strategy tailored to their unique business priorities. Leading analysts have recognized us as front-runners in the GenAI adoption curve, with the right talent and expertise to co-drive banks' AI ambitions at speed and scale.

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See
Beyond,
Rise
Above

Schedule a consultation with our consulting experts to discuss your AI roadmap to the $2-trillion opportunity.

Contact Us

About Persistent

With over 23,000 employees located in 21 countries, Persistent Systems (BSE & NSE: PERSISTENT) is a global services and solutions company delivering Digital Engineering and Enterprise Modernization. As a participant of the United Nations Global Compact, Persistent is committed to aligning strategies and operations with universal principles on human rights, labor, environment, and anti-corruption, as well as take actions that advance societal goals. With 268% growth since 2020, Persistent is the fastest-growing Indian IT Services brand according to Brand Finance.

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