Independent Banker  
July 2023  
Portfolio

[tag] Innovation Station

[hed] The myth, lure and reality of AI

[byline] By Charles E. Potts

[body]

When it comes to artificial intelligence (AI), as the great Wizard of Oz once said, “Pay no attention to the man behind the curtain.”

There’s been a lot of hype about AI and its offshoots like ChatGPT, and while it’s an exciting technology, it’s not new. The first patents on AI algorithms came out more than 30 years ago, and they have been baked into many of the solutions community banks are already using for back-office operations, risk and fraud monitoring, and much more. For instance, Paycheck Protection Program (PPP) solutions were fueled by versions of AI. Credit reporting details are unearthed by AI technology. Fraud anomaly flagging runs algorithms, the basis of AI, to detect out-of-character transactions.

So, what’s with today’s heightened attention on the technology? The answer is simple: AI has become more advanced, but in a cost-effective manner, making it available to the masses. Businesses and consumers alike have newfound access, and that breeds broader awareness and interest.

Fortunately, this level of attention brings with it new potential. Consider current ThinkTECH Accelerator participant [Micronotes](https://micronotes.ai/), a cloud-based marketing automation solution that addresses loan, deposit and retention opportunities using data. The solution connects banking and credit information to the customer, helping ensure the right product is getting provisioned in the right way. It’s an internal use of AI that culls banks’ data to identify target solutions for their customers. And that’s just one use of the technology.

[subhed] AI’s future focus

What AI really does is create a path for community banks to be more future-focused. Banks are asking how they can do more with less, and now is the time to focus on innovation to answer that question. In today’s landscape, banks need to identify what they can be doing to prepare for the next economic cycle, when market conditions swing back, and they can return to a more proactive lending stance.

By keeping a keen eye towards the future, banks can explore the technological investments they can make now, so that when it’s time to turn up the volume, they can do so without adding headcount.

Today, they can be focusing on back-office and operational efficiencies that replace redundant tasks and set up new potential for the future. And AI has a firm hand in that evolution; it serves as the intersection of technology and future needs and capabilities.

So, as you read this month’s lending issue, do it with an eye toward if and how AI can offer a foundation for your next steps, keeping in mind that it is not a silver bullet to be feared or exalted. AI is simply a technology to be leveraged in support of strategy, because, after all, it is just a version of the man behind the curtain.

*Charles E. Potts is ICBA’s executive vice president and chief innovation officer.*

[ends]