

Credit unions will outpace community banks this year in their adoption of AI banking chatbots

Article

The finding: US credit unions have been more aggressive than community banks in their plans to adopt AI banking chatbots, according to Cornerstone Advisors' "What's Going On in

Banking” annual report.

By the numbers: Overall, financial institutions (FIs) have big plans to move from exploration of AI to implementation in the months to come.

- The firm’s survey of 359 US FIs—with a respondent split of 54% banks and 46% credit unions—found that **nearly 3 in 10 credit unions plan to invest in AI-powered chatbots during 2024.**
- By contrast, 42% of community banks are still mired in meetings, and 24% say the technology is not on their radar.

	Credit Unions	Banks
We’ve already invested in or deployed chatbots	35%	20%
We’re planning to invest or implement chatbots this year	29%	13%
We’ve discussed chatbot implementation at the board or executive level	29%	42%
Chatbots aren’t on our radar	6%	24%

Note: n=359 community banks and credit unions, 92% of whom work for FIs in the \$250 million to \$50 billion asset range.

Source: Cornerstone Advisors, “What’s Going On in Banking in 2024: Finding the Next Wave to Ride,” January 2024

What we don’t know: It’s unclear from the report whether these planned AI chatbots will be consumer-facing or used internally to enhance employee productivity and boost satisfaction with their jobs.

- Aside from the expense posed to banks with limited tech budgets, headlines about AI “hallucinations”—most infamously in the legal case, Moffat vs. Air Canada, where [a company](#)

[was held liable](#) for a chatbot's negligent misrepresentations to a consumer—may be leading more risk-averse firms to delay public-facing implementation.

- But FIs may experiment internally. For example, last year **Morgan Stanley** launched AI @ Morgan Stanley Assistant, an internal AI assistant that helps financial advisors and support staff comb through over 100,000 research reports and works like a custom-made encyclopedia, per Forbes.
- That's not to say FIs can't use both flavors of chatbot. For example, **Bank of America's** Erica serves as a virtual assistant for its retail banking customers while its internal-facing application, Banker Assist, helps employees aggregate information from various databases to provide unique insights on clients.

Our take: As Ron Shevlin predicts in the report, FIs' use of AI will likely be both under- and overstated due to widespread confusion over the varied AI taxonomy—i.e., is it conversational AI, generative AI, or machine learning? But it makes sense that smaller FIs, still [scrambling to figure out how to remain competitive amid high interest rates](#), will continue to look for a technological advantage through AI packaged solutions or fintech partnerships centered on AI that enhance their customer experience.

For a deeper dive into the varied adoption rate of AI in banking chatbots in the US, Canada, and the UK, read our report on ["AI in Banking Chatbots."](#)