

Banks get real about the disruptive challenges of generative AI in 2024

Article

Generative AI could generate between \$200 billion and \$340 billion (9% to 15% of banks' operating profits) in value annually through greater productivity, per a 2023 McKinsey & Company report. But its potentially disruptive force won't take hold in 2024.

Regulatory and privacy hurdles will stall genAI's growth, forcing banks to redirect their efforts toward less ambitious goals.

- **Regulation will take the wind out of the adoption sails.** In October, President Joe Biden issued an executive order requiring US AI companies to submit reports on model training and testing to explain how they safeguard the technology from foreign adversaries. Until banks understand whether the order affects their operations, they will exercise caution around AI usage.
- **Banks will need to address data and privacy challenges before they can use genAI to personalize customer journeys.** Among C-level executives worldwide, 46% called data strategy (what and how data is being captured and used) a top challenge with genAI, according to Accenture's October 2023 Pulse of Change survey. Banks must build a strategy that adheres to a complex patchwork of collection and privacy regulation.
- **In the meantime, they'll narrow their focus to solving a short-term pressing need: improving employee efficiency.** For example, Deutsche Bank is testing genAI to provide insights to financial analysts, while Morgan Stanley built a tool to help relationship managers deliver relevant suggestions to customers in real time.

Analyst Estimates: Provider and Consumer Interest in Generative AI Applications in Financial Services over a 3-year horizon



Source: Insider Intelligence, 2023

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Prediction

- **As the year goes on, banks will start applying what they've learned from genAI solutions for bankers to customer-facing virtual assistants. GenAI will make virtual assistants more powerful with the ability to generate customer-friendly content, videos, and images.**