

STUDENTS' ECONOMIC FORUM

A monthly publication from South Indian Bank

*To kindle interest in economic affairs...
To empower the student community...*

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Student's corner



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Theme 328

“ARTIFICIAL INTELLIGENCE”

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Theme No: 328: “Artificial Intelligence”

A well informed customer will make the policy makers as well as organizations which produce goods and render services more responsive to the customer needs. This will also result in healthy competition among organizations and improve the quality of its products.

The “SIB Students’ Economic forum” is designed to kindle interest in the minds of younger generation. We highlight one theme in every monthly meeting of the “Forum”. This month the topic for discussion is Artificial Intelligence”.

▽ **What is AI?**

Artificial intelligence is an area of computer science focused on creating intelligent machines that function like humans. AI computers are designed to perform human functions including learning, decision making, planning, and speech recognition. In other words, artificial intelligence (AI) is the simulation of human intelligence processes by machines, especially computer systems. These processes include learning (the acquisition of information and rules for using the information), reasoning (using rules to reach approximate or definite conclusions) and self-correction.

▽ **Why is it important?**

We live in the time where a lot of work is taken over by machines, software, and various automatic processes. In this regard, artificial intelligence has a special place in all the advancements made today. As the AI systems are used on a day to day basis in our life, it is not wrong to say that our lives have also become advanced with the use of this technology, like controlling the temperature of our room, getting answers for our doubts, for helping us to drive our car etc. AI powers product pricing on Amazon, movie recommendations on Netflix, predictive maintenance for machinery and fraud detection for your credit card. AI will do everything for you and as of now it is an added luxury to our lives.

▽ **What are the major areas where AI plays an important role?**

➤ **Medical field**

- a) Fast and accurate diagnosis
- b) Therapeutic robots

- c) Minimally invasive surgery
- d) Movement assistance
- e) Improved radiology

➤ **Manufacturing Sector/Heavy Industries**

- a) **Directed Automation:** Robots are capable of doing recurring activities, designing the production model, rising competence levels, building automation solutions, eradicating human error and delivering superior levels of quality assurance.
- b) **24x7 Production:** Businesses can be seen expanding in terms of production capabilities and meeting the high demand of customers worldwide
- c) **Safer Operational Environment:** When robots replace humans and perform normal and risky activities, the number of workplace accidents will decrease all across.
- d) **Novel Opportunities for Humans:** While AI takes care of unskilled labor, humans can focus on driving innovation and routing their business to advanced levels.
- e) **Condensed Operating Costs:** When intelligent machines start taking care of day-to-day-activities, businesses can enjoy lower operating cost.

➤ **Banking and Finance**

Artificial intelligence (AI) is disrupting diverse industries, but banking is projected to benefit the most out of incorporating AI systems in the next couple of years. The banking industry has started to seriously consider artificial intelligence-based solutions for resolving many traditional banking problems. An AI system can examine millions and billions of data points, and find patterns and trends that people may miss, and even predict future patterns.

The need for AI powered solutions in Banking & Finance

- a) Improve the ability to compete with the peers
- b) Increase the standing as an innovative company
- c) Identify opportunities in data that would be otherwise missed.
- d) Increase workforce productivity

∇ **Which are the major applications of AI in Banking and Finance?**

➤ **Chat bots**

It can act as an answering machine and serve the customers continuously throughout a day. It can answer the simple questions of the users of customized banking app and redirect them to the bank's website if necessary. Direct and basic operations including opening or closing the account, transfer of funds, etc. can be done with the help of chat bots.

➤ **Personalized Customer Service**

Banks are using AI to increase client satisfaction, improve efficiency and maintain customer loyalty in many ways. With AI in finance, it's possible to create intelligent products that can learn from the customer's financial data and determine what's working for them and what's not, and help them track their financial activities better.

➤ **Handle risk management**

Risk assessment while extending loans is a complex and critical process. It requires both accuracy and confidentiality. AI can combine & analyze the data related to the latest transactions, market trends, and the most recent financial activities to identify the potential risks in giving the loan. Banks can also get an idea of the client's behavior with AI-based risk assessment process. AI can minimize the probability of error in identifying even the slightest probability of fraud.

➤ **Compliance & Fraud Detection**

With AI, it is possible to simulate umpteen situations where a fraud or cyber crime may occur. It follows a proactive approach to making the financial services' environment safe and breach-proof. AI is helping the field of finance to innovate freely by securing its products and services through a continuous understanding of human psychology. Besides, AI in finance also helps to keep a strict regulatory oversight. AI ensures that all policies, regulations, and security measures are being sincerely followed while designing and delivering any financial service.

➤ **AML Pattern Detection**

In most cases, money launderers hide their actions through a series of steps that make it look like money that came from illegal or unethical sources are earned legitimately. Most of the major banks across the globe are shifting from rule based software systems to artificial intelligence based systems which are more robust and intelligent to the anti-money laundering patterns. Over the coming years, these systems are only set to become more and more accurate and fast with the continuous innovations and improvements in the field of artificial intelligence.

➤ **Process Automation**

Process automation is one of the key drivers of automation in financial institutions. It's also evolving into cognitive process automation, where AI systems are able to perform more complex automation. AI in finance implies thorough research, understanding, and learning over long periods of time and vast volumes of data.

➤ **Cost Reduction**

AI in finance has automated processes and drastically reduced the cost of serving customers. While AI has, on one hand, reduced the cost of financial services, on the other, it has made financing extremely convenient to avail.

➤ **Voice Assisted Banking**

This technology empowers customers to use banking services with voice commands rather than a touch screen. The natural language technology can process queries to answer questions, find information, and connect users with various banking services.

➤ **Algorithmic Trading**

Plenty of Hedge funds across the globe are using high end systems to deploy artificial intelligence models which learn by taking input from several sources of variation in financial markets and sentiments about the entity to make investment decisions on the fly. Reports claim that more than 70% of the trading today is actually carried out by automated artificial intelligence systems. Most of these hedge funds follow different strategies for making high frequency trades (HFTs) as soon as they identify a trading opportunity based on the inputs.

➤ **Predictive Analytics and wealth management for clients**

Many consumers want some help when it comes to personal finance advice. Consumers want to be warned and reminded of important information about their own financial data, not told about issues after the fact. AI engines can provide insights on how to best service their high-net-worth clients. By automating large parts of the wealth management process, they would be able to offer personalized, tax-optimized investments to clients, who have far less in investable assets than what would usually qualify for professional wealth management.

Robust and rapid processing needs, advent of mobile technology, data availability, and proliferation of open-source software offer AI a huge scope in the banking sector. Though AI has been used in banking for decades, it remained unnoticed. In today's app-driven world, the banking sector eyes on leveraging with the help of mobile app development companies. In all these ways, AI in banking is continuing to transform the industry to provide a greater level of value to their customers, reduce risks, and increase opportunities as the financial engines of our modern economy.



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