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SAFE Finance Blog

Banks Must Save Even More

03/18/2017

Andreas Hackethal: Profitability of German banks too low compared to international competitors



German banks currently try to lower their costs by dismissing employees, closing branches and lowering bonus payments. However, according to Andreas Hackethal (<https://safe-frankfurt.de/research/researchers/researchers-details/showauthor/109-hackethal.html>), Professor of

Finance at Goethe University Frankfurt, this is by far not enough. German banks' return on equity is at about 3 percent which is significantly below international average, Hackethal said in an interview for the radio program WDR 5 on 17 March.


The current cutback in costs could be only the beginning. Banks need to work more cost-efficient and provide better services for their customers – which also includes transparent cost structures. Hackethal does not see a contradiction between the numerous branch closings and the demand for better services. The importance of a personal contact between bank advisor and customer has decreased anyway, he said. Digitalization creates new opportunities for modern and innovative bank services. However, it also generates new competition in the already fragmented sector. Hackethal expects a consolidation in the German banking market in the medium term. “In Germany we have about 1,700 banks, in France there are less than 500. Size seems to play an important role for profitability.

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