

Press Release

CFS survey – Three-pillar model of the German credit industry has proven effective – Savings banks and cooperative banks are key to the financing of German SMEs

FRANKFURT, 23 January 2017. The financial industry is in broad overall agreement (62%) that the three-pillar model of the German credit industry (commercial banks, savings banks, cooperative banks) has proven effective. This was revealed in a recent study by the Center for Financial Studies of financial institutions and service providers from the Financial Centre Germany. On the other hand, 29% are undecided and regard the three-pillar system as questionable; 8% take the view that the model has not proven effective.

On the question of the respective importance of each of the pillars, over 40% of the survey respondents from the financial industry agree that savings banks and cooperative banks equally make the crucial contribution or at least an important one. Only 20% of the respondents regard the commercial banks as crucial, but 57% believe they are important to the system. On the other hand, 17% believe they are not so important.

“The savings banks and cooperative banks are essential for the financing of German SMEs,” Professor Volker Brühl, Managing Director of the Center for Financial Studies, interprets the results.

Assessments of the German banking sector’s international competitiveness vary – Further consolidation processes expected

The financial industry is sceptical in its assessment of the German banking sector’s international competitiveness. Fewer than 25% of respondents regard the German banking sector as well positioned in an international comparison. “The banking sector is under high pressure to consolidate due to sustained low interest rates, increased regulatory requirements and digitalization. The German banks need to raise the tempo of their restructuring efforts to avoid losing further ground on their international competitors,” Professor Brühl believes. In light of this, the financial industry is in agreement (95%) that further consolidation processes are to come in the banking sector.

An additional factor is that foreign banks are increasingly edging into the German market. There is broad agreement among the respondents (60%) that these actors will continue to gain in importance.

“The survey makes clear how attractive the financial center of Germany is to foreign banks. This is above all a motivation for us in the long term”, comments Hubertus Väth, Managing Director of Frankfurt Main Finance e.V.

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The results are based on a quarterly management survey of around 400 companies in the German financial sector.

The Center for Financial Studies (CFS) conducts independent and internationally-oriented research in important areas of Financial and Monetary Economics, ranging from Monetary Policy and Financial Stability, Household Finance and Retail Banking to Corporate Finance and Financial Markets. CFS is also a contributor to policy debates and policy analyses, building upon relevant findings in its research areas. In providing a platform for research and policy advice, CFS relies on its international network among academics, the financial industry and central banks in Europe and beyond.

We would like to thank Frankfurt Main Finance e.V. for financially supporting the project.

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