
Does the Non-Profit Motive Guarantee Better Customer Value? A Comparison of Customer-owned and Shareholder-owned Banks in Australia

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Abstract

This paper examines the claim that customer-owned banks offer more favourable rates for deposits and loans compared to shareholder-owned banks. The empirical analysis based on data extracted from the financial statements of 66 Authorised Deposit-Taking Institutions (ADIs) in Australia does not support this claim. Customer-owned ADIs report higher Net Interest Margins (NIMs), which is unfavourable for customers, as NIM reflects the spread between the interest charged to borrowers and the interest paid to depositors. Despite higher NIMs, we also find that customer-owned ADIs are less profitable than shareholder-owned ADIs. The findings also indicate that larger customer-owned ADIs could provide more favourable rates for customers.

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