1. Introduction

The Innovation Survey for the Asian banking sector is derived from the Community Innovation Surveys (CIS) developed in the European Union. The purpose of an Innovation Survey (IS) for banking is similar to that of the CIS: to monitor innovative activities of firms in different sectors of the economy. However, the IS for banking has been adapted to make it relevant to the special characteristics of innovation in the banking sector.

2. The objectives and policy issues

The goals and objectives of the innovation survey in banking are the same as those of innovation surveys in general. Following the OSLO Manual 1992, the following objectives can be identified for the innovation survey in banking:

- Better understanding of the concept of innovation in the banking sector and its implications for policy making
- Providing a quantitative framework to measure aspects of innovation in the banking sector
- Collecting information on other institutional factors that could affect innovation in the banking sector

Innovation surveys have been widely executed in the advanced OECD economies, but also in several emerging economies in Asia, Latin America and Africa. Most of these surveys have so far been organized by or on behalf of government organizations. There is no explicit sectoral focus but the emphasis is primarily on innovation in the manufacturing sector. The present survey focuses explicitly on the banking sector. It is based on the framework provided by the OSLO manuals 1992, 1997, 2005 and tailored to the characteristics of the sector. The focus of the survey is on banking sectors in the context of national economies. Therefore, the questionnaire refers to innovation activities of banks at the national level. Both domestic banks and affiliates of international banks registered in a country are the units of analysis. The survey sample consists of roughly about 400 banks in ten Asian country.

The general structure of banking Innovation Survey follows the common structure of CIS. It includes questions about the following elements:

1. General information about business
2. Product innovation (referring to innovation in financial products)
3. Process Innovation (referring to technological innovations and technological advances in business processes)
4. Marketing and Organizational innovation
5. Obstacles to innovation
6. Economic sources of innovation
7. The sources of innovation including informants and providers of technological knowledge and information
The banking innovation survey is intended as a first step towards a better understanding the nature of innovation in the financial services sector. R&D and patents are typical characteristics of innovation in the manufacturing sector. They are much less prominent in banking. This has to do with characteristics of this service sector. The first is that the banking sector in nature is a service sector, even if it spends a large amount of capital to reorganize and optimize its operation. Banks are still the most familiar users of newest technology in the field but they are mostly not technology developers per se. The second reason is related with the confidentiality nature. Banks will not share their operational advantages in forms of patents or similarities to maintain their competitive advantages. Therefore, patents will not provide us with useful information about many innovative activities going on in the banking sector.

3. Institutional support background

This survey is being conducted by a research team at UNU-MERIT. UNU-MERIT is a joint research and training centre of the United Nations University (UNU) and Maastricht University, The Netherlands.

The joint Institute was created on 1 January 2006 following the integration of the former UNU-Institute for New Technologies (INTECH) in Maastricht, and the Maastricht Economic Research Institute on Innovation and Technology, MERIT, at Maastricht University. Its mission is to provide insights into the social, political and economic factors that drive technological change and innovation. The Centre’s research and training programmes address a broad range of policy questions relating to the national and international governance of science, technology and innovation, with a particular focus on the creation, diffusion and access to knowledge. (See more about us at http://www.merit.unu.edu/).

More specifically, this research project bridges two of UNU-MERIT’s research themes, namely 1. Technology, productivity and growth and 2. Micro-based research on innovation and technological change. (For more information about research themes see http://www.merit.unu.edu/research/).

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4. Conclusion

The IS in banking is a new approach to the study of innovation and technology in the financial service sector. Our effort to bring the new IS in banking as close as possible to the common CIS regarding the core framework but diversified enough to capture the uniqueness of innovation and technology development in the banking sector.