

Title: Financing of innovation: National development banks in newly industrialized countries of East Asia.

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Abstract: Contemporary literature on innovation tends to overlook the issue of financing while financial history suggests that banks have been essential to financing of new industries. Emerging literature on mission-oriented finance, although inspiring, remains focused on financing policies. The article aims to re-articulate a co-evolutionary nature of industrial and financial interests, following the works of Schumpeter and Minsky, by looking at the four comparative cases of national development banks, tasked with long-term financing of industries, from newly industrialized countries of East Asia – Korea, Taiwan, Singapore and Malaysia. The group of cases is not homogenous: interventionist financial policies in Korea, Taiwan and to some extent Singapore are compared with non-interventionist and prudent approach in Malaysia where, however, a large number of development financing institutions have been in place, as compared to the first three cases.

The study is empirically-historically grounded (case studies) but aims at adding to the theoretical discussion on financing of innovation by suggesting that innovation *in* finance as well as organizational innovation in financial institutions represent essential elements of financing of innovative activities. Further, building on Schumpeter-Minsky synthesis, the paper adds an organizational dimension to the topic of financing of innovation. Namely, organizational innovation in financial institutions, such as development banks, might signify a disposition to face uncertainty related to economic and technological unknowns. Research- as well as policy-wise, such organizational change, when related to financing of innovation, can be used as an analytical tool when looking at development finance institutions and analyzing to what extent they are actually engaged in financing of innovation.

Keywords: financing of innovation; Schumpeter; Minsky; development banks; East Asia

JEL codes: G20; O10; O38