
Innovation behaviour in financial services: an empirical analysis

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Abstract: In this paper, using standardised data for over 7000 service sector firms, we test different hypotheses to understand to what extent innovation output and activity in financial sector firms is different from other service firms. An intriguing result for the service sector as a whole is that the effect of a firm being part of a multinational group is negative for product innovation but positive for process innovation. Comparing the innovation behaviour of financial and non-financial services firms, we obtain four very interesting and significant differences. Firstly, we find that financial services have a lower probability of introducing product innovations, but a higher probability of introducing process innovations. Secondly, we find that financial services firms are not particularly good pioneer innovators, but they are quite good as innovation imitators. Thirdly, for the financial services firms, being part of a multinational group increases the probability of the firm being both a pioneer innovator and a product innovator. Finally, we find differences in innovation behaviour due to firm size.

Keywords: CIS; financial innovation; financial services; product innovation; process innovation.

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