

ABSTRACT

The Differential Isomorphism of State-Owned Banks

Kim, Young-Shik
Dept. of Sociology
The Graduate School
Yonsei University

This paper discusses 'The Differential Isomorphism of State-Owned Banks (SOBs)' based on the isomorphism of new institutionalism. This paper intends to find out the transformation factors, processes, and types of SOBs in a concrete manner, by focusing on the fact that each SOB, which was established for similar purposes, exhibits either isomorphic or differential patterns after a certain period of time.

First, the driving forces to transform SOBs are represented as technical environment, systematic environment, and the capability of an individual bank. The technical environment, an indicator of the degree of local economic development, is surveyed using two sectors composed of real economy and finance. The systematic environment plays an important role in assessing the achievements of SOBs to determine whether they have accomplished their original missions in line with the government's policy and thus concluding the SOB's future direction. The capability of an individual bank implies the managing ability to keep pace with the technical and institutional environments, the size of the bank, and the contribution to the domestic economy.

Second, SOBs undergo a three-stage transformation. During the first stage, the transformation is dependent on the local economic development path. In the second stage, despite the same economic development path, countries apply varying amounts

of influence on their SOBs in accordance to their unique economic policies. Finally at the third stage, it is the capability of an individual bank which decides its development path, in the case of multiple SOBs in a single country.

Third, after completing the three stages of development, the paths that SOBs take can be categorized into eight types: privatization, financial holding company, functional reinforcement, spin-off, preservation, merger, shift in function, and liquidation/closure.

The first four types, privatization, financial holding company, functional reinforcement, spin-off, are considered positive(+) developments, and last two types, shift in function and liquidation/closure, are negative(-) developments. The remaining two types, preservation and merger, are neutral(0) outcomes.

After studying 85 SOBs of 20 countries, it is concluded that SOBs transform to sustainable development when the GDP surpasses \$20,000 or the ratio of domestic credit/GDP surpasses 1.0, and the SOB or the country that chooses the appropriate development path around the time can sustain its development.

It does not imply that SOBs have not changed in developing countries and do not exist in developed countries, because the development path is thoroughly dependant on the economic policy of the local government and the capability of an individual bank.

In conclusion, all SOBs complete one of eight types of 'differential isomorphic' developmental paths roughly based on the domestic economic development paths, in particular the level of real economic and financial development, the attainment of original objectives, governmental policy regarding SOB's future development, and its capability.

Keywords : state-owned bank, isomorphism, differentiation, homogeneity, heterogeneity, technical environment, systematic environment, capability, new institutionalism, deinstitutionalism.