

**A Note on Banking FDI in Emerging Markets:  
Literature Review and Evidence  
from M&A Data**

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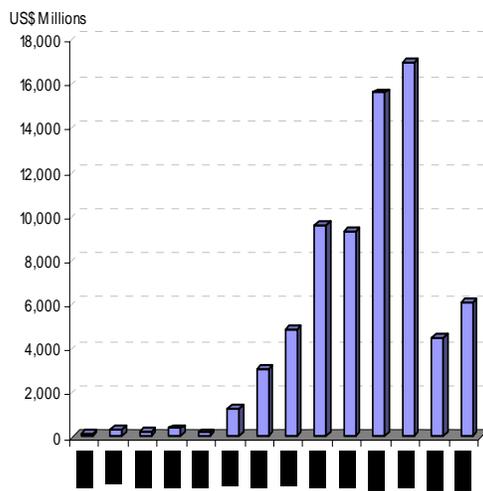
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## **1 Introduction**

The latter half of the 1990s saw a surge in foreign direct investment in emerging market economy (EME) banking sectors. The majority of this was driven by a spate of mergers and acquisitions (M&As) between developed country institutions and EME banks. Figure 1 shows the value of these M&A transactions increasing dramatically from the mid-1990s onwards (notwithstanding a substantial fall in the last two years). As a direct result of this activity, developed country bank exposures to EMEs have increased considerably in recent years through local balance sheet exposures (light shaded sections in figure 2). The

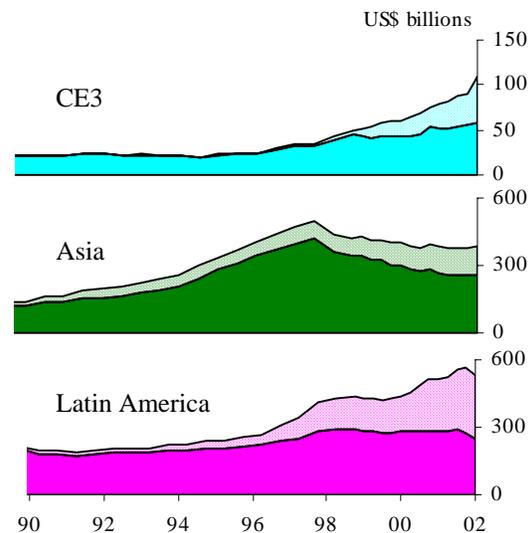
pace and intensity of these developments has attracted much recent attention in academic and policy circles alike. Section 2 of this note summarises some of the main literature relevant in explaining what factors may be driving the increase in bank FDI to EMEs in recent years. Section 3 attempts to provide some further insight into the trend in rising bank FDI by using M&A data taken from the Thompson Financial database. Section 4 summarises and concludes.

**Fig. 1 Value of Acquisitions of EME banks by Developed Country Investors\***



Source: Thompson Financial  
 Figures are for total amount spent on acquisition of EME bank equity (i.e. no minimum percentage of a target's total equity) and thus captures cross-holdings as well.

**Fig. 2 BIS banks' consolidated international and local currency claims on EMEs by region<sup>(a)</sup>**



Source: BIS.  
 (a) CE3 = Czech Republic, Hungary and Poland. Data do not include the Czech Republic before 1993 H2, because it was part of Czechoslovakia until that time. Excludes off-shore financial centres, including Hong Kong and Singapore. 'Local currency claims' refers to those of local offices only.

## 2 The determinants of Bank FDI in EMEs

There is a substantial body of literature on the motivations driving banking FDI, although much of this does not specifically address FDI in EMEs. Be this as it may, what studies do exist relating to EMEs, and the relevant inferences that can be drawn from the general literature suggest a number of factors may have contributed to the recent rise. These can

be broken down into six broad categories<sup>1</sup>: (i) shifts in regulatory opportunity and environment; (ii) increased economic integration between home and host countries; (iii) information costs; (iv) profit opportunities; (v) factors relevant to specific institutions; and (vi) factors relevant to the home markets of acquiring institutions. The first four can be grouped under the general heading of location-specific factors, while the last two are more specifically supply-side considerations reflecting the eagerness of developed banks to expand abroad generally.

## **2.1 Location Specific Factors**

### *2.1.1 Regulatory Opportunity*

While the will to engage in banking FDI may have long existed, the ability to do so was stifled by regulatory restrictions in many EMEs until recently. Foreign bank entry was only allowed in European transition economies from the mid-1990s, when the authorities began to actively pursue a policy of privatisation of their ailing banking systems through foreign strategic investment (Mathiesen and Roldos, 2001). Similarly, attitudes towards foreign entry changed in Latin America following the tequila crisis in the mid-1990s (Crystal, Dages and Goldberg, 2001)<sup>2</sup>, and legislation allowing for greater foreign ownership of banks was introduced in Asia only in the late 1990s, following the Asia crisis (Lardy, 2001). The necessary, though insufficient, condition for bank FDI in EMEs was thus only in place from the mid-1990s onwards.

Beyond the simple binary determinant of whether foreign entry is allowed or not, the literature shows that the regulatory environment more generally affects bank FDI choice. Golberg and Grosse (1994), in an econometric study of foreign bank choice of location within the United States, found that, perhaps unsurprisingly, foreign banks were more likely to establish themselves in states with fewer restrictions on foreign bank activities. Focarelli and Pozzolo (2000) and Barth, Caprio and Levine (2001) provide evidence that the less restrictive the general regulatory environment in the host country, the higher the level of foreign bank entry. In a recent and comprehensive study on the question of regulatory barriers to banking merger and acquisitions activity, Buch and DeLong (2001)

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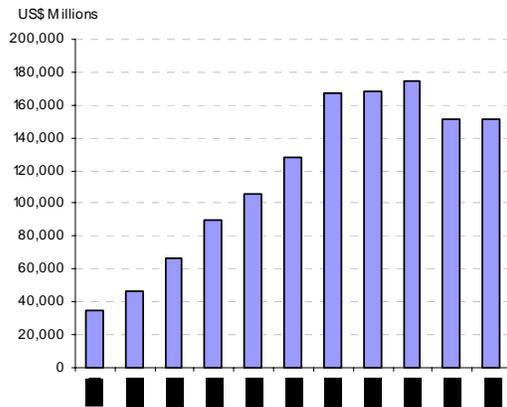
<sup>1</sup> Clarke et. al. (2001) provide a useful summary of some of the main determinants of bank FDI in EMEs.

test a sample of over 2300 international commercial bank mergers and find strong evidence that regulatory environment affects international mergers decisions.

### 2.1.2 Increased Economic Integration

Increased economic integration between developed markets and EMEs may have provided a driver for higher foreign participation in EME banking systems. One traditional explanation for this is that banks follow their customers to overseas markets to provide a seamless financial service. A proxy for economic integration is the level of non-bank FDI, and figure 3 shows that the pattern in this is indeed similar to, if somewhat more pronounced than, that for bank FDI. Formal studies testing the relationship between economic integration and bank FDI, however, have produced mixed results, with clear relationships found for intra-developed country FDI, and less so for FDI in EMEs.

**Fig 3. Non-Bank FDI Flows to Developing Countries**



Source: World Bank, UNCTAD and author's calculations (subtract Thompson Financial M&A data from UNCTAD figures)

Most of the literature is biased towards testing the level of economic integration between the United States and countries with whom significant inward and outward banking FDI has taken place. Goldberg and Saunders (1980) examine US bank decisions to expand abroad during the 1970s (with particular reference to the United Kingdom) and find that the level of US exports to the UK were positively correlated with the amount of US bank FDI there. Goldberg and Saunders (1981a, 1981b) find that this is also true for foreign

<sup>2</sup> The Andean Pact countries had not allowed foreign banks to own more than 20% of any local bank

banks entering the United States during the same period, and that non-bank FDI flows were also a significant determinant of such banks' FDI decisions. Goldberg and Johnson (1990) effectively update the earlier work by Goldberg and Saunders (1980) for a broader set of countries during the 1980s. They find a positive correlation between non-bank and bank FDI flows, as well as confirming the previous finding regarding trade flows. Grosse and Goldberg (1991) examine foreign bank decisions in entering the United States during the 1980s, updating Goldberg and Saunders (1981a), and again find that the most important determinants were non-bank FDI and trade flows. Miller and Parkhe (1998) provide a more recent study on the determinants of US bank expansion abroad and, consistent with the above, find a correlation between non-bank FDI and bank FDI.

Outside the United States, literature on economic integration as a determinant of bank FDI flows has been somewhat disparate. Brealey and Kaplanis (1996) undertake an international study of bank FDI flows (including to some EMEs), and find that the countries with the highest foreign bank presence were those with the greatest trade and non-bank FDI links. Yamori (1998) finds similar results for Japanese banks' FDI decisions, and Wezel (2004) and Buch (2000) find similar results for German banks. Focarelli and Pozzolo (2000), using bank-level data for a sample of 260 large banks from the OECD countries, find a positive relationship between bank choice of location and bilateral trade flows and non-bank FDI, but find these to be less significant than other factors (such as profit opportunities) in determining banks' FDI decisions.<sup>3</sup>

As Clarke et. al. (2002) point out, these studies, in finding positive correlation between non-bank FDI and bank FDI, do not necessarily prove the "follow your customer" hypothesis. A number of other variables, such as factors inherent in the host market which attract both bank and non-bank FDI, may equally explain the relationship. Seth, Nolle and Mohanty (1998) test the "follow your customer" hypothesis directly by examining the lending patterns of foreign banks, and find that in most cases, the majority of lending by these banks did not go to borrowers from the same home country. The relationship becomes even less clear for EMEs, where non-bank FDI may have been

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throughout most of the 1980s (Grosse, 1997).

<sup>3</sup> See also Nigh, Cho and Krishnan (1986), Sagari (1992) for more evidence on economic integration and bank FDI

previously limited due to a lack of banking services; Clarke et. al. (2002), for example, suggest that foreign bank entry may lay the groundwork for greater non-bank FDI, implying a reverse causality. Little empirical evidence exists on this, but Miller and Parkhe (1998) do find that greater non-bank FDI does not necessarily result in greater bank FDI for *developing* markets (though it does for developed markets). Further research determining the causality of non-bank and bank-FDI may therefore be required before firm conclusions can be drawn on the “follow your customer” hypothesis.

### 2.1.3 Profit Opportunity

One would expect that a significant determinant of a bank’s choice of FDI location would be where the expected economic gains from such activity would be greatest. The literature generally supports this. Brealey and Kaplanis (1996), Yamori (1998), and Buch (2000) all find a positive relationship between host country per capita GDP and bank FDI. Claessens, Demirgüç-Kunt and Huizinga (2000), using data for 80 countries between 1988-1995, find that foreign bank penetration was highest during that period where foreign bank profitability was highest, where taxes were lowest, and where per capita income was highest. Wezel (2004), on the other hand, does not find GDP per capita to be a significant determinant of bank FDI, but does find that the lower the risk of a financial crisis, the higher the likelihood of entry, implying banks prefer countries with a stable outlook.

Focarelli and Pozzolo (2000), described briefly above, controlled for integration and found that the main driving factor behind bank choice of FDI location is in the expected rate of economic growth of the host country. They measured this by assuming those countries with a low level of initial output, low inflation, higher levels of schooling and more developed financial markets are those most likely to grow. In addition, the authors test the importance of the profitability of the host sector (using such variables as return on assets and cost-income ratios). Their results are consistent with the notion that banks choose where to invest on the basis of profitability, though they also find that other factors, such as distance, language and economic integration are significant as well.

#### *2.1.4 Information Costs*

Another hypothesis that has been tested in the literature is that countries where entry would entail the least informational costs are those most likely to be chosen as host countries. Informational costs are most usually proxied by geographic distance and cultural similarities, such as common language, legal system, social norms etc. Ball and Tschoegl (1982), Grosse and Goldberg (1991), Buch (2000) and Focarelli and Pozzolo (2000) all report a negative correlation between geographic distance and degree of bank FDI. While these findings are part of more general studies on determinants of bank FDI, two studies look at geographic and social proximity specifically.

Buch (2001) uses a sample of banks from France, Germany, Italy, the United Kingdom and the United States to determine whether distance remains an important determinant of bank FDI, or whether technological advances have diminished its importance. She finds that in the period between 1983-1998, in all countries except the United States, distance remained an equally key determinant of bank FDI decisions. While its significance is empirically evident, the author warns against interpreting distance purely as an informational cost as, given the importance of trade links found in studies such as those described earlier, this may reflect other costs, such as transportation of goods.

Social proximity as a proxy for information costs is investigated in a recent study by Galindo, Micco and Sierra (2003). The authors analyse bilateral banking data for a sample of 176 countries to determine the significance of several socio-cultural variables on bank FDI choice. These include common colonial links, language, legal origin, bank regulatory structure and burden, and rule of law. They find that all these factors are significant in determining where banks choose to expand.

## **2.2 Supply-Side Considerations**

The previous section discusses factors that guide banks' FDI decisions in terms of location. But why would developed country banks want to invest abroad to begin with? This section discusses factors affecting the supply-side of bank FDI, first at the bank level, then in relation to home market conditions.

### *2.2.1 Institution-Specific factors*

The two main institution-specific factors that may impact on the desire of individual banks to expand abroad are geographic diversification and efficiency gains that such expansion may potentially hold. Economic theory maintains that banking FDI provides the opportunity for improved geographical diversification and should, therefore, improve a bank's risk-reward trade-off and profitability (Segal, 1974; Vander Venet, 1996; Berger, 2000). Moreover, efficiency gains arising from economies of scale, scope and product mix may potentially arise from foreign expansion. This is consistent with Guillèn and Tschoegl (1999) who examine the phenomenon of Spanish bank entry into Latin America, interviewing top management at the main Spanish banks and relating their findings to FDI theory. They find that a significant motivation for expansion abroad was to capitalise on diversification and efficiency-gain potential. Whether this intention translates into the realisation of diversification and efficiency benefits in reality, however, is ultimately an empirical question.

On geographical diversification, Amihud, DeLong and Saunders (2002) use a data set of international bank mergers and acquisitions in a number of developed and developing countries between 1995-1998 to test the actual diversification benefits of international mergers and acquisitions. They find that there is no risk reduction from geographic diversification, arguing that the potential benefits are outweighed by potential costs faced by the resulting large, complex bank.

Berger et. al. (2000), summarise the literature on large domestic bank consolidation, and conclude that there is little empirical evidence to support the notion that consolidation leads to efficiency gains. The authors note that few studies exist on the efficiency gains of cross-border bank consolidation, and fewer still focussing on EMEs. Altunbas, Molyneux and Thornton (1997), whose study simulates mergers between major EU banks, find that the cost base of a bank is more likely to increase than decrease following a merger.

Claessens, Demirgüç-Kunt and Huizinga (2000), who focus on EMEs, show that foreign banks are more efficient than domestic banks in EMEs (though the opposite holds true for developed countries). This finding, however, speaks more of the relative efficiencies of

banking systems than it does of the efficiency gains inherent in FDI. The question therefore remains open.

### 2.2.2 *Home Market Conditions*

In the 1990s, the financial landscape changed considerably in developed economies, particularly in Europe and the United States, and this is likely to have influenced banks' overseas M&A plans. In Europe, European financial integration and the EU banking directives set the scene for considerable consolidation (Berger et. al. 2000). While actual cross-border consolidation has been limited to date, domestic consolidation (aided by domestic liberalisation of banking systems) has been extensive as banks seek size to position themselves more favourably for the likely increase in cross-border mergers and acquisitions. The result has been increasingly saturated banking markets. Guillèn and Tschoegl's (1999) study of Spanish bank entry into Latin America, described above, finds that market saturation in Spain led banks to pursue a policy of asset-seeking elsewhere, choosing Latin America for reasons similar to those described earlier. This is consistent with Calderon and Casilda (1999) who also examine Spanish bank entry into Latin America in the 1990s. This asset-seeking was aimed at two objectives: exploiting profitable opportunities, as above, but also simply for the sake of gaining further mass, which would make Spanish banks stronger players in the anticipated wave of mergers and acquisitions that greater European financial integration would entail. The authors also found evidence that this trend was reinforced by "oligopolistic reactions" behaviour, where large competitors follow one another in choice of location and service (see Knickerbocker (1973) and Flowers (1976)).

While Guillèn and Tschoegl's (1999) paper was a specific case study, it provides insight into some of the supply-side considerations driving some of the main antagonists in the European wave of banking FDI in EMEs (see below). Germany, Italy and France, for example, all experienced similar levels of domestic consolidation and, consequently, market saturation.

In the United States substantial deregulation in the late 1980s and 1990s was having a similar, if less dramatic, effect. Berger et.al., (2000) argue that the progressive relaxation of restrictions on interstate banking (culminating in the Riegle-Neal Act, 1994) and the

gradual permission of universal banking (culminating in the Gramm-Leach-Bliley Act, 1999) acted as a catalyst to a spate of domestic consolidation during that period and laid the foundations for increased cross-border mergers and acquisitions.<sup>4</sup>

### **2.3 Summary**

The literature summarised above suggests that banks' choice of FDI location may be affected by considerations regarding regulatory environment, the degree with which the host country is economically integrated with the home country, the information costs present involved in operating in the host country, and the profit opportunities available in the host country. The desire for developed country banks to engage in FDI abroad (and in EMEs) has been driven by institutional considerations (diversification and efficiency gains) and conditions in the home market (consolidation and market saturation).

The general picture that emerges is that the conditions for foreign expansion of developed banks into EMEs were very good in the 1990s. As argued by Mathieson and Roldòs (2001) and Lardy (2001) banking crises and the need for foreign capital brought down entry restrictions in most EMEs. As these banking systems were weak, they also represented high economic growth opportunities for foreign banks as described by Focarelli and Pozzolo (2001). Invariably, the liberalisation of foreign entry, and in many cases the crisis itself, was preceded by a liberalisation of the regulatory environment. Given that economic integration had been gaining momentum in previous years and that many EMEs held common socio-cultural backgrounds with developed countries, the opportunity was clearly available for banks seeking to expand abroad. All that was needed was the will, which was strengthened in the 1990s by the changes to the financial landscape described in the preceding section.

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<sup>4</sup> The notion that domestic market saturation leads to expansion abroad is consistent with the findings of several studies that those banks that tend to expand abroad are large banks (see Tschoegl (1983), Grosse and Goldberg (1991), Ursacki and Vertinsky (1992), Williams (1996, 1998), and Focarrelli and Pozzolo (2000)).

The next section attempts to identify the main trends in the pattern of FDI flows to EME banking sectors in the light of the literature described above

### **3 Global Trends in M&A activity**

This section draws upon M&A data which, though incomplete as it does not capture the establishment of ‘greenfield’ (*de novo*) subsidiaries and branches, provides a good indication of the overall flow of banking FDI into EMEs. The data is collected from the Thompson Financial Database and includes *all* purchases of EME bank equity by developed country investors, be they banks or other financial institutions.

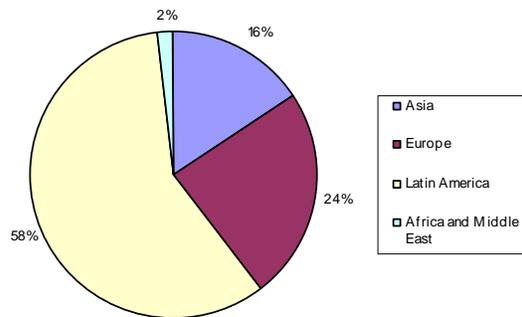
The inclusion of all equity purchases (regardless of size) ignores the debate surrounding the minimum purchase that constitutes FDI, at the heart of which is the notion that in order for an investment to be considered FDI, an element of control over the asset must be involved. Thus, some academic studies only consider purchases where the acquiror is left with a stake of over 51% (e.g. Amihud et. al., 2002), while others (such as the OECD and IMF) consider acquisitions where the resulting stake is over 10%. While we would agree that control is most likely positively correlated with the percentage of equity held, where precisely to define the threshold between a portfolio investment and controlling interest will depend on a number of factors that vary from firm to firm and country to country. Examples may be corporate governance laws protecting minority shareholder rights, franchise rights, managerial agreements, shareholder attendance at AGMs, dispersion or concentration of other shareholdings etc. To accurately determine the nature of control, a case by case analysis of the dataset would therefore be required. Given that what follows is a simple data exposition exercise, and given the potentially arbitrary nature of pre-specifying thresholds, we bypass the debate and include all acquisitions.<sup>5</sup>

#### **3.1 Where has bank FDI been going?**

Figure 4 shows that the majority of banking FDI from developed countries to EMEs between 1990 and 2003 was to Latin America. A significant amount also went to

transition economies in Europe, particularly with respect to the size of the banking systems in those countries, which were underdeveloped following years of a mono-bank communist system. A smaller amount went to Asia in this period, and a yet smaller amount went to Africa and the Middle East.

**Fig. 4 –Total Stock of Acquisitions by Region (1990-2003)**



Source: Thompson Financial

Breaking down the flow of FDI over the period by the different regions (Figure 5) shows that a clear difference in the pattern of banking FDI flows to each of the EME regions exists for the period.

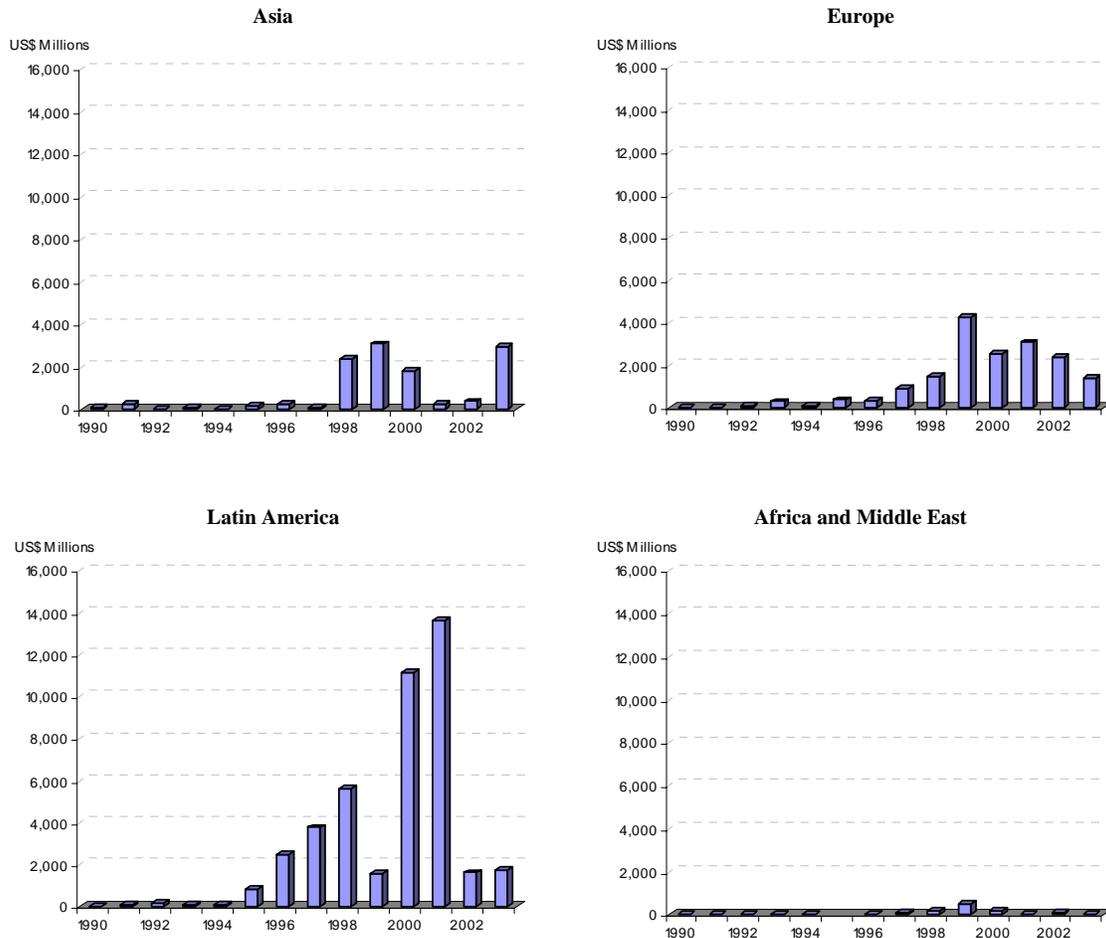
In Asia, the flows are concentrated in a 3-year period that corresponds to the immediate aftermath of the Asia crisis, although there was an apparent resurgence in 2003. Excluding the off-shore centres (Hong Kong and Singapore) and Taiwan (whose prominence is due to one large purchase by ABN-AMRO), the vast majority of flows are accounted for by South Korea (\$2.5bn), while Indonesia, Thailand and the Philippines all experienced some modest bank FDI. As Lardy (2001) explains, this reflects the opening up of these economies to foreign financial firms, with the objective of re-injecting capital and providing sophisticated financial management skills. It also reflects the competitive strategy pursued by developed-country banks in buying up local banks severely weakened by the crisis, as well as some debt-for-equity swaps that developed country banks engaged in to limit their losses from loan exposures to the region (Lindgren et al,

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<sup>5</sup> In any case, acquisitions resulting in a share of under 10% represent only 5% of the total value of

1999). However, despite the initial success in attracting banking FDI, the momentum has not carried in the last couple of years, with key deals, such as HSBC's purchase of SeoulBank, falling through due to disagreements with regulators. The level of foreign bank participation in Asia has therefore fallen far below expectations at the time of the crisis (Lardy, 2001).

**Fig. 5 Value of Acquisitions of EME Banks by Developed Country Investors by Region**



Source: Thompson Financial

In Europe, foreign bank entry began in earnest in 1997, and has been significant since. The countries experiencing the highest level of flows were Poland and the Czech Republic, which received roughly \$6bn and \$4bn respectively. They were followed by Croatia and Hungary, both receiving roughly \$900m. The transitional European economies invariably experienced banking crises during the early 1990s, which resulted

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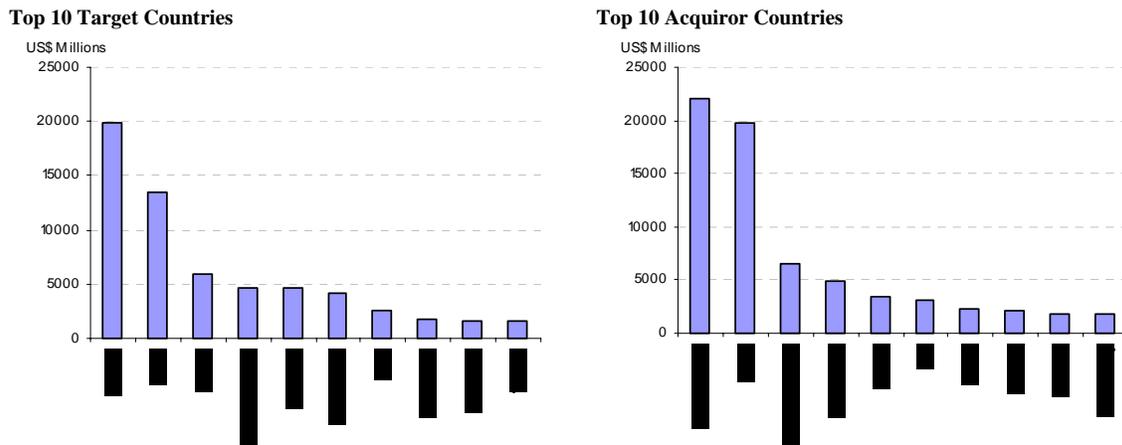
transactions in the sample period.

in explicit policies to seek foreign strategic investors to recapitalise their banking systems. Combined with the opportunities for growth in these markets, particular with respect to EU accession countries, banking FDI increased substantially in from the mid 1990s onwards.

Latin America was by far the region that experienced the greatest amount of bank FDI as measured by M&A activity. This progressed steadily from 1994 onwards (post Tequila crisis) with the exception of 1999 (Brazilian crisis) and 2002/2003 (Argentine and Brazilian crises). As Crystal, Dages and Goldberg (2001) explain, this again was due to a shift in attitude to foreign ownership following the Tequila crisis, and the ensuing liberalisation of foreign ownership laws in the mid-1990s.

No significant bank FDI flows have been experienced in African and Middle Eastern countries, which may be due to the fact that the conditions described above (crisis, liberalisation of foreign entry, growth opportunities etc.) have not been as evident in these countries.

**Fig. 6 Key Targets and Acquirors – Ranking by Stock of Bank FDI (1990-2003)**



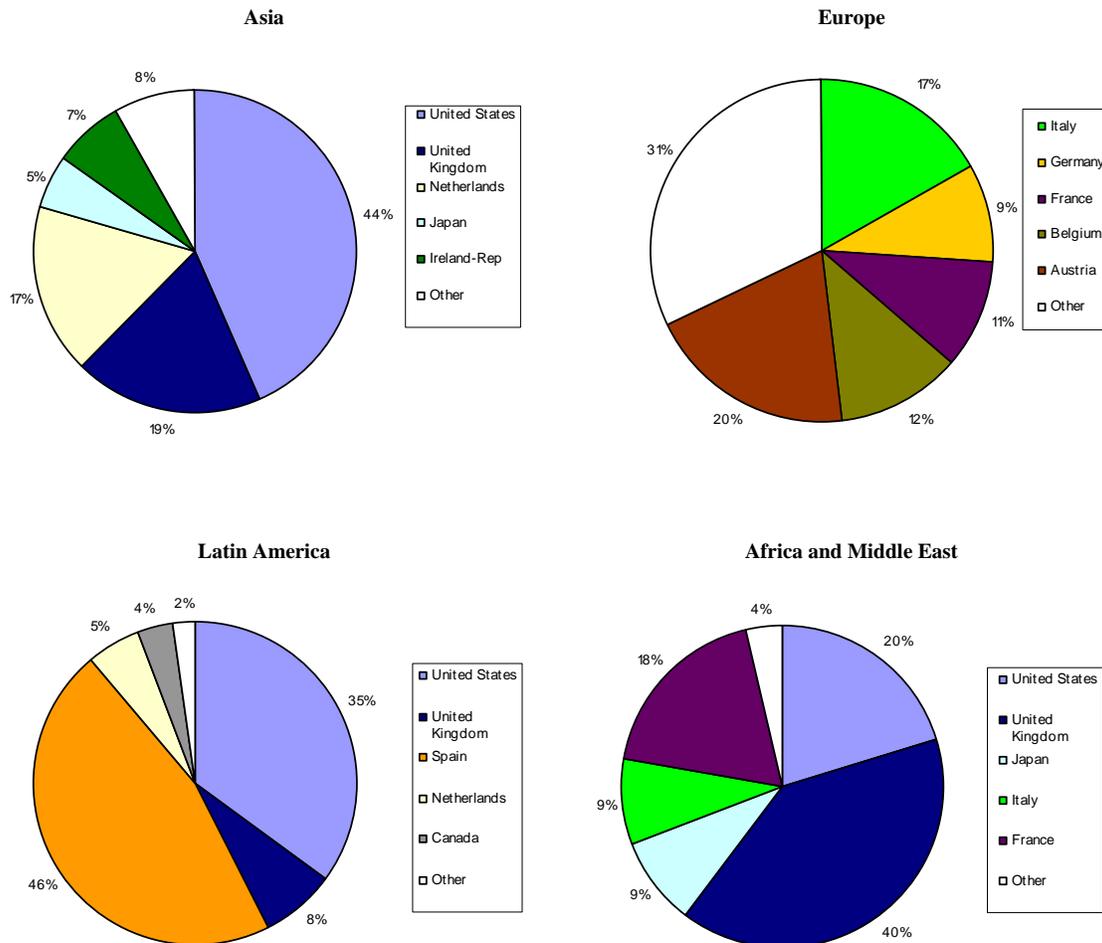
Source: Thompson Financial

### 3.2 Who has been providing bank FDI?

The country of origin of banking FDI into EMEs provides further insight into some of the trends in global banking FDI. Figure 7 shows a regional breakdown of banking FDI by source. As discussed earlier, bank FDI into Asia, Africa and the Middle East has been limited and ‘lumpy’, and generalisations on the basis of experience to date are difficult to make. They therefore take a less prominent role in what follows.

The most striking difference between the source of FDI in Europe and Latin America is the degree to which there is a difference in concentration. While in emerging Europe there has been a more broad-based entry by mainly European banks, in Latin America, US and Spanish banks have dominated bank FDI flows.

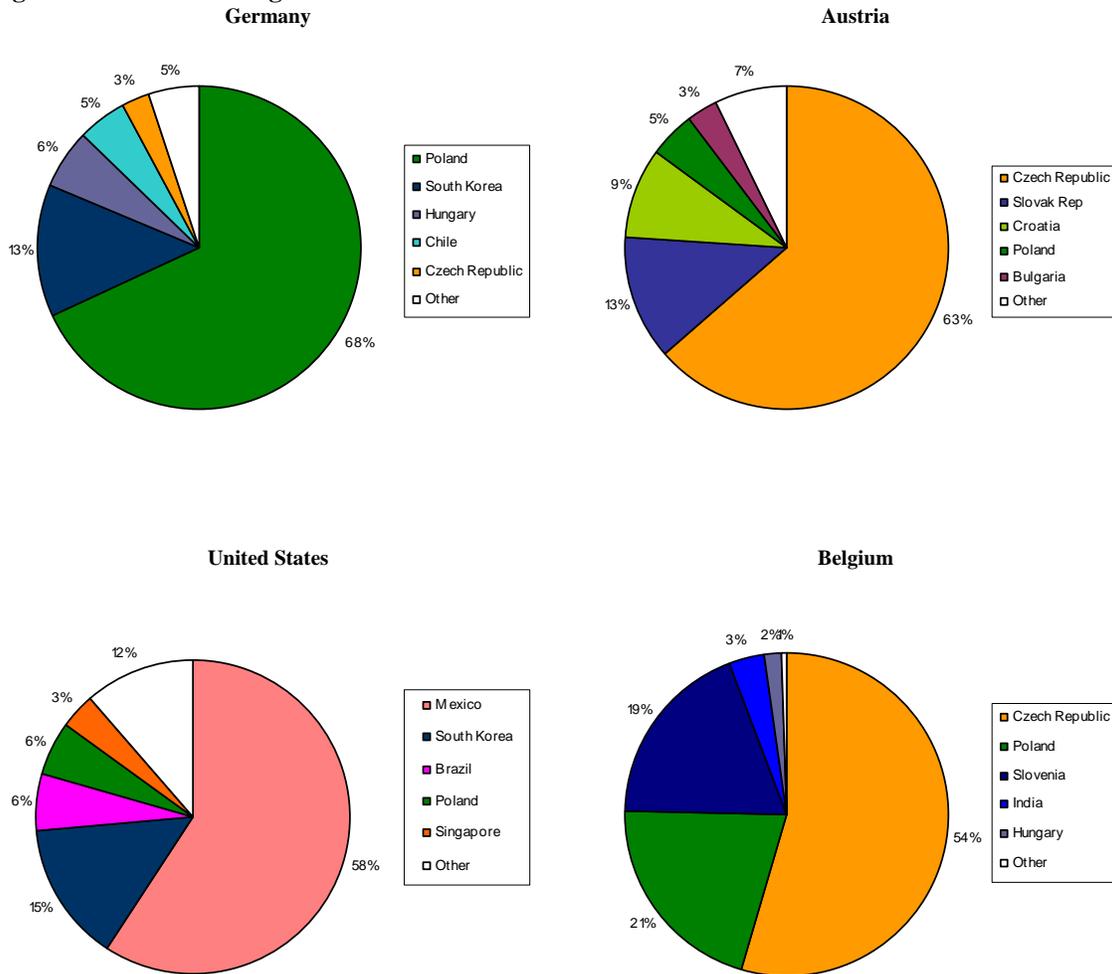
**Fig. 7 Source of FDI Stock by Region**



Source: Thompson Financial

Figure 8 presents some of the more active developed countries with a clear host country (and in some cases regional as well) bias. The graphs show that German, Austrian and American banks have all concentrated heavily on their respective neighbours, Poland, the Czech Republic and Mexico.

**Fig. 8 Countries with High Concentrations in Bank FDI Stock in Particular Countries**

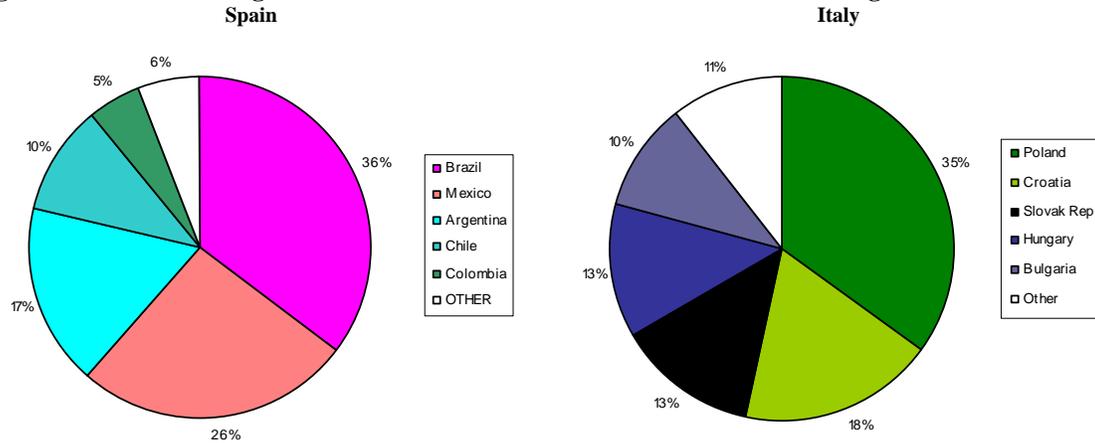


Source: Thompson Financial

Figure 9 shows countries with moderately low country-specific concentrations, but with a high regional bias. Spanish banks, while diversifying at the country level, hold almost

100% of their EME bank FDI in Latin America. Similarly, Italian banks have concentrated on emerging European economies.

**Fig. 9 Countries with High Concentrations in Bank FDI Stock in Particular Regions**

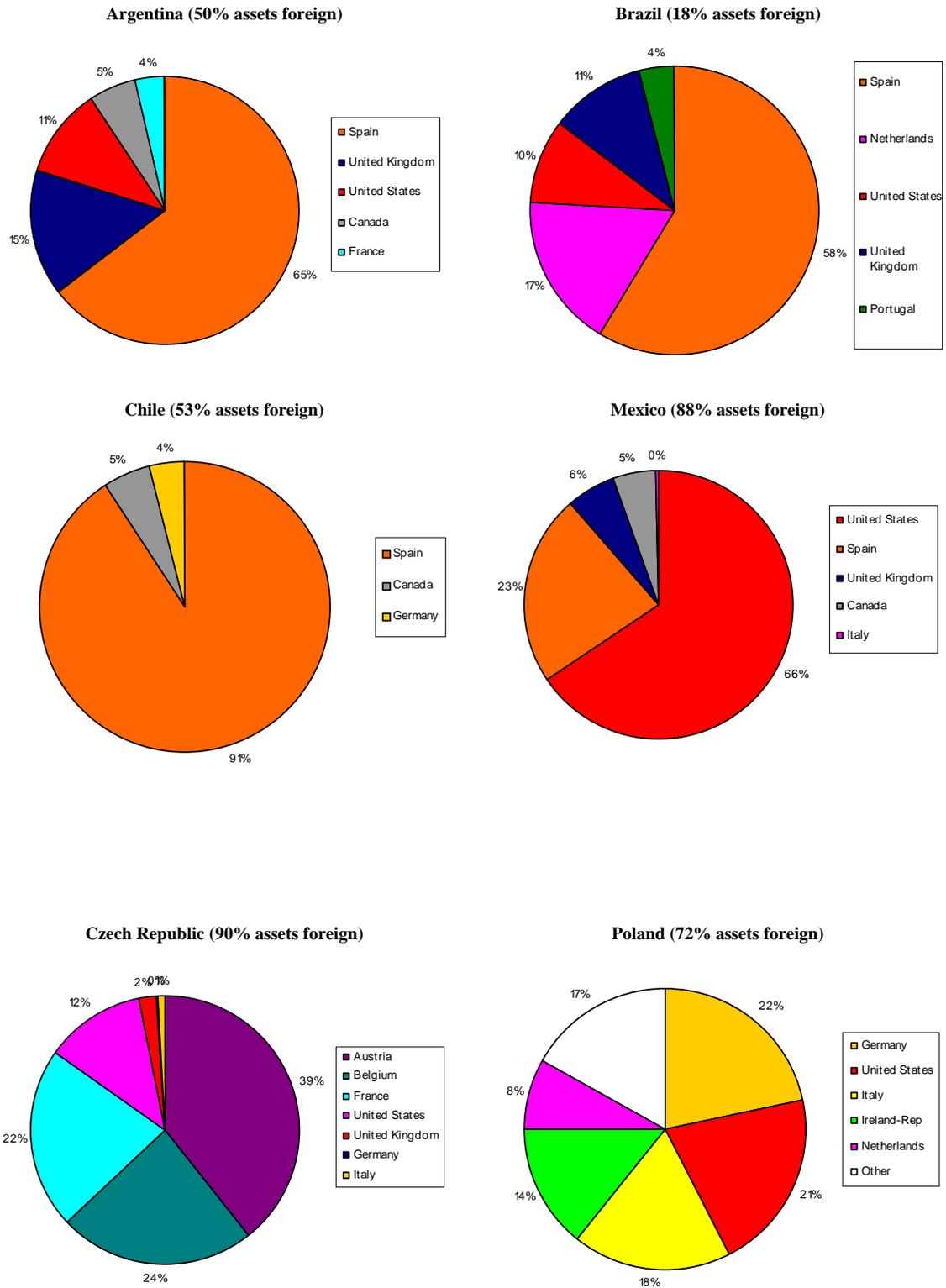


Source: Thompson Financial

### 3.3 Impact on Host Countries

At the receiving country level, the composition of flows has implications for the banking system structure. High concentrations can, and have, occurred in terms of nationality of bank FDI. Figure 10 shows that for the selected Latin American countries, with the exception of Mexico, the vast majority of bank FDI flows have been coming from Spanish banks (BSCH and BBVA). While Spanish banks have had a significant share of FDI flows to Mexico, it has been US banks that have provided the majority. In the Selected European emerging markets, there is, in line with the regional split presented above, a more diverse source of FDI flows, particularly in Poland.

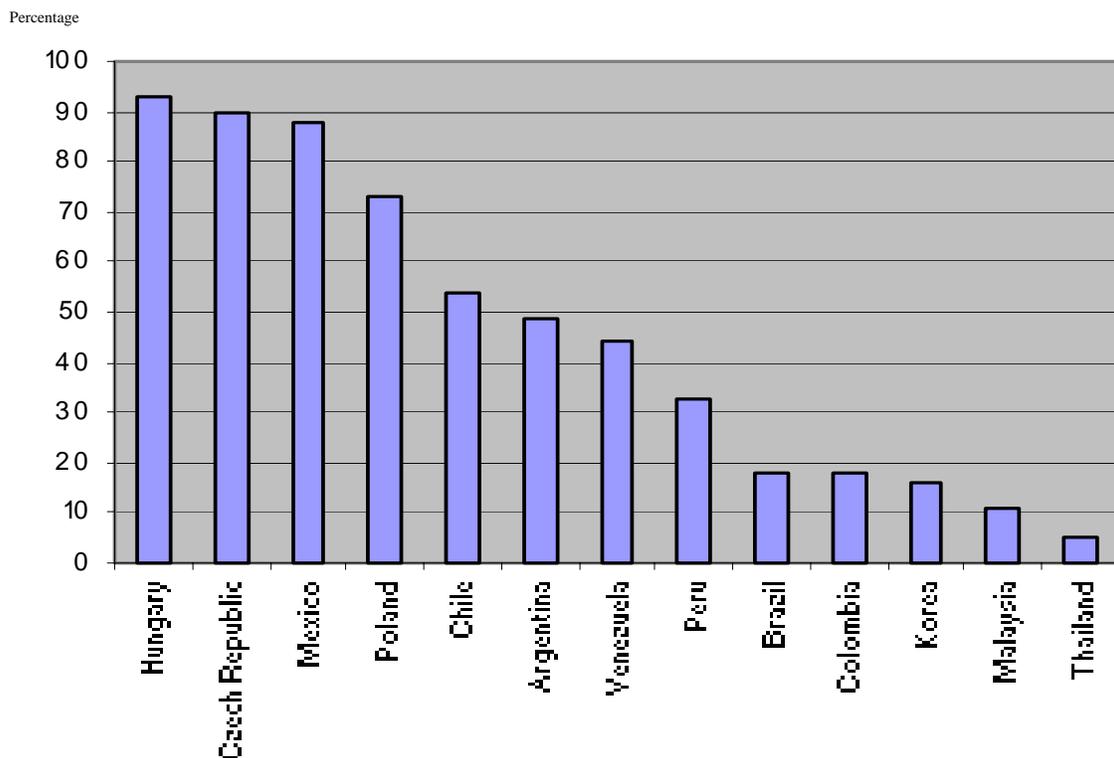
**Fig. 9 Nationality of Bank FDI Stock for selected Countries**



Source: Thompson Financial

In terms of the overall composition of domestic EME banking sectors following the surge in bank FDI flows, Figure 11 shows the percent of domestic banking system assets controlled by foreign banks. It is evident that the scale of foreign ownership can be substantial, with many countries' banking systems being majority-owned by foreign investors. This is particularly true of European emerging markets, though Latin American countries, especially Mexico, have a high degree of foreign ownership as well. Asian countries, as mentioned earlier, have not yet experienced a high degree of foreign bank entry.

**Fig. 11 Share of Foreign-Controlled banking Assets in Selected Countries (2002)\***



Source: Hungary, Czech Republic, Poland, Mexico – Author's own calculations using central bank data. Other countries - Mathieson and Roldós (2001), December 1999 estimates using BVD Bankscope.

\*Varies according to source

## 4 Summary and Conclusion

The above has summarised the literature on the main determinants of bank FDI in EMEs. These were broken down into six broad categories: (i) shifts in regulatory opportunity and environment; (ii) increased economic integration between home and host countries; (iii) information costs; (iv) profit opportunities; (v) factors relevant to specific institutions; and (vi) factors relevant to the home markets of acquiring institutions. The first four were grouped under the general heading of location-specific factors, while the last two were presented as supply-side considerations reflecting the eagerness of developed banks to expand abroad generally.

The data presented in Section 3, though not intended to act as evidence in support of the literature summarised earlier, do, however, appear to be broadly in line with the literature. In particular, the data appear to fit some of the more easily observable explanations of bank FDI, such as regulatory opportunity, distance and socio-cultural interlinkages. For example, Spanish concentration in South America, which is evident from the data, can be explained by the opportunity presented to Spanish banks following the Tequila crisis, and motivated by socio-cultural proximity and low information costs. Likewise, German concentration in Poland could be expected given strong trade links and geographic proximity.

This note has, throughout, highlighted areas where the literature, both theoretical and empirical, is weak in relation to explaining bank FDI in emerging markets, and is intended to act as a catalyst for further research in the area.

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