Geofinance between national and firm internationalization strategies: an analysis of the Italian banking system across borders



DOI reference: 10.1080/13673882.2020.00001071

By Silvia Grandi, Department of Statistical Sciences 'Paolo Fortunati', University of Bologna, Italy, and *Christian Sellar,* Department of Public Policy Leadership, University of Mississippi, US.

The relationship between governmental economic policies, the international strategies of banks, and firms' internationalization is an intriguing phenomenon which is not yet fully investigated by financial geographers. Our paper analyzes

the geographical patterns of Italian banks' international network in order to answer the following research questions:

1) What are the main strategic choices driving Italian commercial banks towards the international markets?;

2) How are they related to strategic choices of the Italian government?; and

3) How do they impact the parallel processes of firms' internationalization?

To answer these questions, we integrate economic geography, political geography and management studies within the conceptual framework of "geofinance/geobanking" (Sellar, Grandi and Jafri, 2019).

We found that *large* Italian banks followed two main strategic international organizational processes: mergers & acquisition (M&A) by international groups, and the M&A by clustering among Italian banks. *Middle and small* banks adopted less expensive and lower risk international strategies, including proximity expansion, finance city focus and exploratory expansion.

Given the constant increase of trade flows and internationalization of Italian firms, we hypothesized a direct causal relationship between firms and banks' internationalization. However, our study shows that there is an incomplete overlap between the locational choices of banks and firms going cross border, and that public policies also should be considered when studying this phenomena. In conclusion, adopting the perspective of geofinance/geobanking, we demonstrate that there is a visible, but weaker than expected, connection between Italy's policies, bank strategies, and firms. Banks choose their international strategies in response to a larger variety of criteria, including autonomous sectoral growth, diversification strategies, and the willingness to co-locate into international financial centres – both established and emerging – as well as the behaviour of the host governments.

References

Grandi S., Sellar C., Jafri J., (eds) (2019), *Geobanking between political and financial geographies: a focus on the semi-periphery of the global financial system*, Edward Elgar Publishing, UK.

About FinGeo Network

The key objectives of the FinGeo Network are to: promote and stimulate diversity, innovation and excellence in this field of research; facilitate collaboration and sharing of research outputs on a global basis; influence private and public strategy and policy; and contribute to a broader public debate on the role of finance in the world. To realise these aims the core activities of the Network include the collation and dissemination of research outputs in diverse forms; information on research initiatives; funding and collaboration opportunities; datasets and other research and teaching materials. FinGeo activities also include organisation of events and promotion of research through online presence, social media and various forms of engagement with stakeholders beyond academia. As an interdisciplinary network, FinGeo is open to researchers from a variety of backgrounds including financial and economic geography, finance and business studies, economics, sociology, anthropology, political science, urban and regional studies, planning, environmental studies, and development studies.