

Foreign Bank Entry & Entrepreneurship

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Foreign bank presence, on average, promotes business formation in developing countries



This is especially true when the foreign banks are also from developing countries (so called South-South banks).

Better legal environment reinforces the positive relationship between foreign banks and local businesses

Our findings reinforce the fact that effective institutions allow foreign banks to maximize their benefits.



However, foreign banks from developing countries perform better than those from developed countries when operating in places with poor law enforcement



This means that the influence of South-South banking on business formation is less dependent on the quality of legal enforcement in the host country.

Financial Globalization has led to a rapid increase of cross-border banking, the effects of which are still under intense scrutiny.

Our research shows that regional banks operating between developing countries can help fuel entrepreneurship when compared to European or American banks that enter emerging markets.

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