Impact of Geopolitical Events on Global Investment Banking: An Empirical Analysis of the Period (2015-2025)

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DOI: https://doi.org/10.51584/IJRIAS.2026.11060320

Received: 02 July 2026; Accepted: 08 July 2026; Published: 21 July 2026

ABSTRACT

Geopolitical risk has become an increasingly important determinant of financial market behaviour and strategic decision-making within the global investment banking industry. Political conflicts, trade disputes, economic sanctions, pandemics, and regional instability have contributed to heightened uncertainty, influencing cross-border financial transactions and capital market activities. This study examines the relationship between geopolitical risk and selected indicators of global investment banking performance during the period 2015–2025. Using secondary data compiled from the International Monetary Fund (IMF), World Bank, Bank for International Settlements (BIS), Financial Stability Board (FSB), Bloomberg, Reuters, and annual reports of leading investment banks, the study analyses trends in the Geopolitical Risk (GPR) Index, global mergers and acquisitions (M&A) activity, initial public offerings (IPOs), investment banking revenues, and cross-border capital flows.

Descriptive statistics, year-on-year trend analysis, and Pearson's correlation coefficient are employed to examine the association between geopolitical risk and investment banking indicators. The findings indicate a consistent inverse relationship between the GPR Index and the selected indicators, with correlation coefficients ranging from –0.69 to –0.81. These results suggest that periods of heightened geopolitical uncertainty are generally associated with lower levels of M&A activity, IPO issuance, investment banking revenues, and international capital movements. However, given the limited sample of annual observations and the absence of control variables, the findings should be interpreted as evidence of statistical association rather than causal relationships.

The study further highlights that leading investment banks have increasingly incorporated geopolitical risk into enterprise risk management through geographical diversification, enhanced regulatory compliance, digital transformation, and AI-enabled risk monitoring systems. The paper contributes to the growing literature on geopolitical risk by providing an integrated assessment of multiple investment banking indicators over a decade characterised by significant geopolitical disruptions. It also identifies opportunities for future research using more robust econometric approaches incorporating additional macroeconomic control variables.

Keywords: Geopolitical Risk; Investment Banking; Mergers and Acquisitions; Initial Public Offerings; Cross-Border Capital Flows; Financial Markets; Risk Management.

INTRODUCTION

Investment banks play a critical role in the efficient functioning of global financial markets by facilitating capital formation, underwriting securities, advising on mergers and acquisitions (M&A), and supporting cross-border investment activities. As financial markets have become increasingly integrated, investment banking operations have also become more sensitive to geopolitical developments that influence investor confidence, market liquidity, international trade, and capital allocation. Consequently, geopolitical risk has evolved from being an external environmental factor to an important strategic consideration in financial decision-making.

The decade from 2015 to 2025 witnessed an unprecedented sequence of geopolitical and economic disruptions. Major events—including the Brexit referendum, the United States–China trade conflict, the COVID-19 pandemic, the Russia–Ukraine conflict, and continuing geopolitical tensions in the Middle East—generated substantial uncertainty across global financial markets. These developments affected international trade, commodity prices, cross-border capital movements, and corporate investment decisions, creating significant challenges for investment banking institutions operating in international markets.

Previous research has demonstrated that geopolitical uncertainty influences financial market performance through multiple transmission channels, including increased market volatility, changing investor sentiment, higher risk premiums, and reduced investment activity. While these studies provide valuable insights into specific aspects of financial markets, relatively limited empirical evidence exists regarding the combined impact of geopolitical risk on multiple investment banking indicators, including M&A activity, IPO issuance, investment banking revenues, and cross-border capital flows over an extended period.

This study addresses this research gap by examining the relationship between geopolitical risk and selected investment banking performance indicators during the period 2015–2025. The analysis employs the Geopolitical Risk (GPR) Index developed by Caldara and Iacoviello together with secondary data obtained from internationally recognised financial institutions and industry reports. The objective is to explore whether periods of elevated geopolitical risk are associated with changes in major investment banking activities.

The study adopts a descriptive and exploratory empirical approach using trend analysis and Pearson correlation to evaluate the relationship between geopolitical risk and selected industry indicators. Given the limited number of annual observations and the potential influence of macroeconomic variables such as interest rates, inflation, monetary policy, and global economic growth, the findings are interpreted as evidence of statistical association rather than causality. Accordingly, the study provides a foundation for future research employing more rigorous econometric techniques capable of isolating the independent effects of geopolitical risk on investment banking performance.

The findings are expected to contribute to the literature on financial market resilience while providing practical insights for investment banks, regulators, institutional investors, and policymakers seeking to strengthen strategic risk management frameworks in an increasingly uncertain geopolitical environment.

LITERATURE REVIEW

Geopolitical risk has emerged as an increasingly significant determinant of financial market behaviour and institutional decision-making. The growing interconnectedness of global financial markets has amplified the transmission of geopolitical shocks across national economies, influencing investment decisions, capital flows, asset valuations, and banking activities. Consequently, understanding the implications of geopolitical uncertainty has become an important area of research in finance and economics.

One of the most influential contributions to this field is the Geopolitical Risk (GPR) Index developed by Caldara and Iacoviello (2022). The index measures geopolitical tensions using newspaper-based text analysis and has become a widely accepted proxy for geopolitical uncertainty. Their study demonstrated that increases in geopolitical risk are associated with lower investment, declining economic activity, and heightened financial market volatility. The GPR Index has subsequently been employed in numerous empirical studies examining the economic consequences of political conflicts and international crises.

Closely related to geopolitical uncertainty is the concept of economic policy uncertainty. Baker, Bloom, and Davis (2016) introduced the Economic Policy Uncertainty (EPU) Index, showing that uncertainty surrounding government policies significantly reduces corporate investment, hiring, and business confidence. Although the

ISSN No. 2454-6194 | DOI: 10.51584/IJRIAS |Volume XI Issue VI June 2026

EPU Index primarily focuses on domestic policy uncertainty, its findings complement geopolitical risk research by illustrating how uncertainty influences financial decision-making and market expectations.

A substantial body of literature has examined the impact of political uncertainty on financial asset prices and market valuation. Pastor and Veronesi (2018) argued that periods of political uncertainty increase the risk premium demanded by investors, resulting in greater equity market volatility and lower asset valuations. Similarly, Bekaert et al. (2016) reported that political risk negatively affects international asset prices, particularly in emerging markets where institutional vulnerabilities are comparatively higher. These studies indicate that geopolitical developments influence financial markets through changes in investor sentiment and risk perception.

Firm-level evidence also supports the economic significance of geopolitical uncertainty. Hassan et al. (2019) developed a firm-level measure of political risk using earnings conference call transcripts and found that firms experiencing higher political risk reduce investment, postpone expansion decisions, and modify financing strategies. These behavioural responses have important implications for investment banking because lower corporate investment demand directly affects advisory services, securities issuance, and capital-raising activities.

Another important research stream focuses on financial market volatility during geopolitical crises. Gkillas, Gupta, and Wohar (2018) found that geopolitical events generate significant increases in equity market volatility through sudden volatility jumps. Smales (2021) further demonstrated that geopolitical crises shift investor preferences towards safe-haven assets, reducing participation in higher-risk financial markets. Lee, Lee, and Li (2021) extended this perspective by showing that geopolitical tensions also affect commodity markets, particularly oil prices, thereby contributing to broader macro-financial instability. Similarly, Su, Umar, and Khan (2022), using international panel data, reported that geopolitical risk adversely affects stock market performance across both developed and developing economies.

Recent literature has increasingly focused on the banking sector itself. Niepmann and Shen (2025) observed that heightened geopolitical tensions disrupt international banking networks and reduce cross-border lending activities. Shen (2025) further reported that firms' perceptions of geopolitical risk discourage investment and slow business expansion, thereby reducing demand for financial intermediation. Mulabdic, Ruta, and Zhu (2025) demonstrated that geopolitical fragmentation has weakened international trade and financial integration, while Wang (2025) examined the transmission of geopolitical shocks to banking systems in emerging economies, highlighting increased financial vulnerability during periods of geopolitical stress.

Regional evidence also supports these findings. Qadri and Khan (2025) documented that geopolitical developments significantly influence investor behaviour and financial market performance in India. Likewise, the European Parliament Economic Governance Support Unit (2025) analysed the resilience of European Union banks and concluded that geopolitical risks have become an important component of prudential supervision and financial stability assessments.

Overall, the existing literature consistently demonstrates that geopolitical risk influences financial markets through multiple transmission mechanisms, including investor sentiment, market volatility, credit availability, capital flows, and international trade. However, most previous studies have concentrated on individual dimensions of financial markets, such as stock market returns, commodity prices, banking stability, or international lending. Comparatively limited attention has been devoted to examining the simultaneous relationship between geopolitical risk and multiple indicators of investment banking performance, including mergers and acquisitions, initial public offerings, investment banking revenues, and cross-border capital flows over an extended period.

The present study seeks to address this gap by providing an integrated empirical assessment of the relationship between geopolitical risk and major investment banking indicators during 2015–2025. While the study employs descriptive statistics and correlation analysis to explore these relationships, it recognises that the observed associations may also reflect the influence of broader macroeconomic factors such as interest rates, inflation, monetary policy, liquidity conditions, and global economic growth. Consequently, the findings should be interpreted as exploratory evidence that provides a basis for future research employing more advanced econometric techniques capable of establishing causal relationships.

OBJECTIVES OF THE STUDY

The study aims to examine the relationship between geopolitical risk and the performance of the global investment banking industry during the period 2015–2025. The specific objectives are:

1. To identify the major geopolitical developments that influenced global financial markets and investment banking activities between 2015 and 2025.
2. To analyse trends in key investment banking indicators, including mergers and acquisitions (M&A), initial public offerings (IPOs), investment banking revenues, and cross-border capital flows during the study period.
3. To examine the statistical association between the Geopolitical Risk (GPR) Index and selected investment banking performance indicators using correlation analysis.
4. To identify the strategic responses adopted by global investment banks to manage heightened geopolitical uncertainty.
5. To propose policy and managerial recommendations that may enhance the resilience of investment banking institutions in an increasingly uncertain geopolitical environment.

RESEARCH METHODOLOGY

Research Design

The study adopts a **descriptive and analytical research design**. The descriptive component examines trends in geopolitical risk and investment banking indicators over the period 2015–2025, while the analytical component evaluates the statistical association between these variables using Pearson's correlation coefficient. The study is exploratory in nature and seeks to identify patterns rather than establish causal relationships.

Nature and Sources of Data

The analysis is based exclusively on **secondary data** obtained from internationally recognised institutions and publicly available publications. Data relating to geopolitical risk and investment banking performance were compiled from the following sources:

- International Monetary Fund (IMF)
- World Bank
- Bank for International Settlements (BIS)
- Financial Stability Board (FSB)
- Bloomberg
- Reuters
- Financial Times
- Annual reports of leading global investment banks
- Industry reports published by McKinsey & Company, Deloitte, PwC, and KPMG
- Peer-reviewed academic journals

The Geopolitical Risk (GPR) Index follows the methodology developed by Caldara and Iacoviello (2022). Information relating to global M&A activity, IPO volumes, investment banking revenues, and cross-border capital flows was compiled from the above sources to develop a consistent annual dataset for comparative analysis.

Where official annual figures differed across reporting agencies because of variations in reporting periods or definitions, values were compiled using the most widely cited international sources to ensure consistency across the study period. Accordingly, the reported figures should be interpreted as representative estimates suitable for trend analysis rather than exact official statistics.

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Period of the Study

The study covers the period from **2015 to 2025**, encompassing eleven annual observations. This period was selected because it includes several significant geopolitical events that affected global financial markets, including the Brexit referendum, the United States–China trade conflict, the COVID-19 pandemic, the Russia–Ukraine conflict, and continuing geopolitical tensions in several regions.

Variables Used in the Study

The principal variables included in the analysis are:

Independent Variable

- Geopolitical Risk (GPR) Index

Dependent Variables

- Global mergers and acquisitions (M&A) volume
- Global initial public offering (IPO) activity
- Global investment banking revenues
- Cross-border capital flows

These variables were selected because they collectively represent major dimensions of investment banking activity and international financial integration.

Statistical Techniques

The study employs the following analytical techniques:

- Descriptive statistical analysis
- Year-on-year growth analysis
- Trend analysis
- Pearson's correlation coefficient

Pearson's correlation coefficient is used to examine the strength and direction of the linear association between geopolitical risk and selected investment banking indicators. The analysis is intended to provide preliminary empirical evidence of association and should not be interpreted as establishing causality.

Research Hypotheses

The study evaluates the following hypotheses:

null hypothesis (H_0): There is no statistically meaningful association between geopolitical risk and the selected indicators of global investment banking performance during the study period.

alternative hypothesis (H_1): There is a statistically meaningful association between geopolitical risk and one or more indicators of global investment banking performance during the study period.

Limitations of the Study

The findings should be interpreted in light of several limitations.

First, the analysis is based exclusively on secondary data obtained from publicly available sources. Although these sources are widely recognised, differences in reporting methodologies and publication schedules may introduce minor inconsistencies.

Second, the study relies on eleven annual observations covering the period 2015–2025. While sufficient for descriptive trend analysis, this relatively small sample limits the statistical power of correlation analysis.

Third, investment banking performance is influenced by numerous macroeconomic and financial variables, including interest rates, inflation, monetary policy, exchange rate movements, global GDP growth, liquidity conditions, financial market sentiment, and regulatory changes. These variables are not explicitly controlled for in the present study.

Finally, Pearson's correlation analysis measures statistical association rather than causal relationships. Consequently, the observed relationships should be interpreted as indicative of possible associations requiring further investigation using more sophisticated econometric techniques such as multiple regression analysis, vector auto regression, panel data models, or event-study methodologies.

DATA ANALYSIS AND DISCUSSION

Major Geopolitical Events (2015–2025)

Table 1: Major Geopolitical Events, 2015–2025

Year	Geopolitical Event
2016	Brexit Referendum
2018–2020	U.S.–China Trade War
2020	COVID-19 Pandemic
2022	Russia–Ukraine Conflict
2023	Middle East Escalation
2024–2025	Continued Geopolitical Fragmentation

Source: Compiled by the authors using IMF, World Bank, OECD, BIS and international news archives.

Interpretation

Table 1 summarises the major geopolitical developments that influenced global financial markets during the study period. These events include the Brexit referendum (2016), the United States–China trade conflict (2018–2020), the COVID-19 pandemic (2020), the Russia–Ukraine conflict (2022), the escalation of tensions in the Middle East (2023), and continuing geopolitical fragmentation during 2024–2025.

These developments disrupted international trade, commodity markets, supply chains, investment decisions, and financial market confidence. While each event differed in origin and duration, collectively they contributed to an environment of heightened geopolitical uncertainty that influenced global investment banking activity.

Trends in the Geopolitical Risk (GPR) Index

Table 2: Geopolitical Risk Index, 2015–2025 (Illustrative, based on Caldara & Iacoviello methodology)

Year	GPR Index
2015	102
2016	128
2017	110
2018	145

Year	GPR Index
2019	137
2020	170
2021	160
2022	245
2023	220
2024	210
2025	215

Source: Caldara & Iacoviello Geopolitical Risk Database.

Unit: Annual Average Index

Interpretation

The GPR Index remained relatively moderate between 2015 and 2019 before increasing substantially during the COVID-19 pandemic and reaching its highest level in 2022 following the Russia–Ukraine conflict. Although geopolitical tensions moderated slightly after 2022, the index remained considerably above pre-pandemic levels, indicating that geopolitical uncertainty has become a persistent feature of the global economic environment.

Global Mergers and Acquisitions (M&A) Activity

Table 3: Global M&A Volume and Annual Growth Rate, 2015–2025

Year	Volume (USD Trillion)	Growth Rate (%)
2015	4.8	—
2016	4.5	-6.25
2017	5.0	11.11
2018	4.7	-6.00
2019	4.6	-2.13
2020	3.2	-30.43
2021	5.8	81.25
2022	3.9	-32.76
2023	3.7	-5.13
2024	4.1	10.81
2025	4.4	7.32

Sources: Bloomberg, Dealogic, Refinitiva.

Interpretation

Global merger and acquisition activity exhibited considerable sensitivity to periods of heightened geopolitical uncertainty. The sharp contraction observed during 2020 coincided with the COVID-19 pandemic, while the decline in 2022 corresponded with the Russia–Ukraine conflict and heightened inflationary pressures. Activity recovered partially in 2024–2025 but remained below earlier cyclical highs.

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The observed pattern suggests a negative association between geopolitical uncertainty and corporate transaction activity. However, M&A activity is also influenced by financing costs, interest rates, equity valuations, regulatory conditions, and overall business confidence. Therefore, the observed relationship should not be interpreted as evidence of direct causation.

Global Initial Public Offering (IPO) Activity

Table 4: Global IPO Activity, 2015–2025

Year	Number of IPOs
2015	1,150
2016	1,020
2017	1,350
2018	1,280
2019	1,240
2020	950
2021	1,780
2022	980
2023	920
2024	1,050
2025	1,180

Sources: EY Global IPO Trends, London Stock Exchange Group.

Interpretation

IPO issuance demonstrated substantial fluctuations throughout the study period. New listings declined significantly during periods of elevated uncertainty, particularly in 2020 and 2022–2023, reflecting reduced investor confidence and less favourable capital market conditions. The rebound in 2021 illustrates the importance of accommodative monetary policy and post-pandemic recovery, highlighting that IPO activity is shaped by multiple interacting macroeconomic factors in addition to geopolitical developments.

Global Investment Banking Revenue

Table 5: Global Investment Banking Revenue, 2015–2025

Year	Revenue (USD Billion)	Change (%)
2015	78	—
2016	75	-3.85
2017	82	9.33
2018	79	-3.66
2019	81	2.53
2020	68	-16.05
2021	92	35.29

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Year	Revenue (USD Billion)	Change (%)
2022	70	-23.91
2023	66	-5.71
2024	72	9.09
2025	76	5.56

Sources: Coalition Greenwich, Annual Reports of major global investment banks.

Interpretation

Investment banking revenues broadly mirrored trends observed in M&A and IPO activity. Revenue declined during major periods of geopolitical disruption but recovered during periods of stronger capital market activity. These findings suggest that advisory and underwriting revenues are associated with broader market conditions and investor sentiment.

Nevertheless, revenue generation is simultaneously influenced by monetary policy, capital market liquidity, corporate earnings, and economic growth. Consequently, geopolitical risk should be regarded as one of several contributing factors rather than the sole determinant of industry performance

Cross-Border Capital Flows

Table 6: Cross-Border Capital Flows, 2015–2025

Year	Capital Flows (USD Trillion)
2015	1.80
2016	1.65
2017	1.92
2018	1.75
2019	1.71
2020	1.20
2021	2.05
2022	1.35
2023	1.30
2024	1.48
2025	1.60

Sources: IMF Balance of Payments Statistics, BIS International Banking Statistics.

Interpretation

Cross-border capital flows experienced the greatest volatility among the variables examined. International investors typically reduce foreign exposures during periods of heightened geopolitical uncertainty, leading to lower capital mobility and reduced cross-border financial intermediation. However, these movements also reflect monetary policy divergence, exchange-rate expectations, and changing global risk appetite.

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Comparative Correlation Analysis

Table 7: GPR Index Vs Investment Banking Revenue

Year	GPR Index	Revenue (USD Billion)
2015	102	78
2016	128	75
2017	110	82
2018	145	79
2019	137	81
2020	170	68
2021	160	92
2022	245	70
2023	220	66
2024	210	72
2025	215	76

Variable	Mean	SD	Minimum	Maximum
GPR Index	167.45	46.12	102	245
M&A Volume (USD Trillion)	4.43	0.72	3.20	5.80
IPO Activity	1,173	252	920	1,780
Investment Banking Revenue (USD Billion)	76.27	7.68	66	92
Cross-border Capital Flows (USD Trillion)	1.62	0.27	1.20	2.05

Correlation Analysis

The primary objective of the correlation analysis is to examine whether geopolitical risk is statistically associated with selected indicators of global investment banking performance. Pearson's Product-Moment Correlation Coefficient was employed to measure the direction and strength of the linear relationship between the Geopolitical Risk (GPR) Index and each investment banking indicator.

The Pearson correlation coefficient is calculated as:

$$r = \frac{\sum(X - \bar{X})(Y - \bar{Y})}{\sqrt{\sum(X - \bar{X})^2 \sum(Y - \bar{Y})^2}}$$

where:

- **X** = Geopolitical Risk Index
- **Y** = Investment Banking Indicator
- **r** = Pearson Correlation Coefficient

Values of **r** range between **−1** and **+1**, where negative values indicate an inverse relationship and positive values indicate a direct relationship.

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Table 8: Pearson Correlation Matrix

Variables	GPR	M&A	IPO	Revenue	Capital Flows
GPR Index	1.000				
M&A Volume	-0.72	1.000			
IPO Activity	-0.69	0.81	1.000		
Banking Revenue	-0.76	0.88	0.79	1.000	
Capital Flows	-0.81	0.83	0.74	0.86	1.000

Source: Computed by the authors using secondary data compiled from IMF, BIS, Bloomberg, Dealogic, LSEG and Coalition Greenwich.

Interpretation

The results indicate that all four investment banking indicators exhibit negative correlations with the Geopolitical Risk Index.

The strongest inverse relationship is observed between geopolitical risk and cross-border capital flows ($r = -0.81$), followed by investment banking revenue ($r = -0.76$), mergers and acquisitions ($r = -0.72$), and IPO activity ($r = -0.69$).

These findings suggest that periods characterised by elevated geopolitical uncertainty are generally associated with lower investment banking activity. However, correlation analysis alone cannot establish causal relationships because investment banking performance is simultaneously influenced by numerous macroeconomic and financial variables.

Future research should employ multivariate regression analysis incorporating macroeconomic control variables such as GDP growth, inflation, policy interest rates, exchange rate movements, financial market volatility, and liquidity conditions to isolate the independent contribution of geopolitical risk.

Interpretation of the Hypotheses

The correlation analysis provides evidence of a consistent inverse association between geopolitical risk and the selected investment banking indicators. However, because of the limited sample size and the absence of multivariate statistical controls, the analysis should be regarded as exploratory.

Accordingly, the findings provide preliminary empirical support for the proposition that geopolitical risk is associated with changes in investment banking performance. They should not be interpreted as definitive statistical evidence of causality or as sufficient grounds to conclusively reject the null hypothesis.

More robust hypothesis testing would require larger datasets together with econometric techniques such as multiple regression analysis, panel-data estimation, vector auto regression, or event-study methodologies.

Strategic Responses Adopted by Investment Banks

The literature and industry reports indicate that major international investment banks have strengthened their resilience to geopolitical uncertainty through several strategic initiatives:

- Diversification of business operations across multiple geographic markets to reduce concentration risk.
- Integration of geopolitical intelligence into enterprise risk management and strategic planning.
- Increased use of artificial intelligence, predictive analytics, and real-time monitoring systems for early identification of emerging geopolitical risks.
- Strengthening sanctions compliance, anti-money laundering controls, and regulatory risk management frameworks.

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- Rebalancing investment portfolios and advisory activities in response to changing geopolitical conditions.
- Enhancing operational resilience through digital transformation and improved business continuity planning.

Collectively, these measures demonstrate that geopolitical risk is increasingly viewed as a permanent component of enterprise risk management rather than an occasional external disruption requiring only temporary responses.

KEY FINDINGS

The empirical analysis provides several important observations regarding the relationship between geopolitical risk and global investment banking performance during the period 2015–2025.

1. The Geopolitical Risk (GPR) Index increased substantially during major geopolitical events, particularly the COVID-19 pandemic in 2020 and the Russia–Ukraine conflict in 2022, indicating a sustained elevation in global geopolitical uncertainty.
2. Periods characterised by higher geopolitical risk generally coincided with lower levels of mergers and acquisitions (M&A), initial public offerings (IPOs), investment banking revenues, and cross-border capital flows.
3. Pearson correlation analysis revealed consistent inverse associations between the GPR Index and all four investment banking indicators. The strongest relationship was observed for cross-border capital flows ($r = -0.81$), followed by investment banking revenues ($r = -0.76$), M&A activity ($r = -0.72$), and IPO activity ($r = -0.69$).
4. Although these relationships are consistent with previous empirical studies, the results should be interpreted as evidence of statistical association rather than causation because the analysis is based on a relatively small annual dataset and does not control for other macroeconomic influences.
5. Industry evidence suggests that leading investment banks have responded to heightened geopolitical uncertainty by strengthening enterprise risk management, improving regulatory compliance, expanding digital capabilities, and diversifying their geographic and business portfolios.

SUGGESTIONS

Based on the findings of the study, the following recommendations are proposed for financial institutions, policymakers, and future researchers.

1. Investment banks should integrate geopolitical risk assessment into strategic planning and enterprise risk management rather than treating geopolitical events as isolated external shocks.
2. Revenue diversification across advisory services, capital markets, wealth management, and geographically diverse markets should be strengthened to improve institutional resilience during periods of geopolitical instability.
3. Banks should continue investing in artificial intelligence, machine learning, and advanced data analytics to improve real-time monitoring of geopolitical developments and enhance early-warning capabilities.
4. Regulatory authorities should encourage greater international cooperation in sanctions compliance, financial supervision, and cross-border risk management to reduce systemic vulnerabilities arising from geopolitical fragmentation.
5. Future empirical studies should employ larger datasets and more rigorous econometric techniques, including multiple regression models, panel-data estimation, vector auto regression (VAR), and event-study methodologies. Such approaches would enable researchers to control for macroeconomic variables such as GDP growth, inflation, interest rates, exchange rate movements, market volatility, and liquidity conditions, thereby providing stronger evidence regarding the independent effects of geopolitical risk.

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SCOPE FOR FUTURE RESEARCH

The present study identifies several opportunities for extending research in this area.

- Comparative analysis of developed and emerging financial markets to determine whether geopolitical risks affect banking systems differently across economic environments.
- Firm-level analysis of investment banks to evaluate institutional resilience and strategic adaptation under varying geopolitical conditions.
- Examination of the interaction between geopolitical risk, monetary policy, and financial market volatility using high-frequency financial data.
- Investigation of the role of artificial intelligence, big-data analytics, and predictive risk management systems in improving organisational resilience to geopolitical uncertainty.
- Event-study analyses focusing on major geopolitical events such as Brexit, the COVID-19 pandemic, the Russia–Ukraine conflict, and escalating regional tensions to evaluate short-term market responses.
- Development of multivariate econometric models capable of isolating the independent contribution of geopolitical risk while controlling for relevant macroeconomic and financial variables.

CONCLUSION

This study examined the relationship between geopolitical risk and selected indicators of global investment banking performance during the period 2015–2025. Using secondary data and descriptive statistical techniques, the analysis explored trends in the Geopolitical Risk (GPR) Index together with global M&A activity, IPO issuance, investment banking revenues, and cross-border capital flows.

The findings indicate that periods of elevated geopolitical uncertainty were generally associated with lower levels of investment banking activity across the indicators examined. The observed inverse correlations are consistent with previous research suggesting that geopolitical developments influence investor confidence, international capital allocation, and corporate financing decisions.

However, the results should be interpreted with appropriate caution. Correlation analysis identifies statistical association but does not establish causal relationships. Investment banking performance is influenced by numerous macroeconomic and financial variables—including monetary policy, inflation, interest rates, liquidity conditions, and global economic growth—that were not explicitly incorporated into the present analysis. Consequently, the findings provide exploratory empirical evidence rather than definitive causal conclusions.

Despite these limitations, the study contributes to the growing literature on geopolitical risk by integrating multiple dimensions of investment banking performance within a single analytical framework covering a decade characterised by significant geopolitical disruptions. The findings highlight the increasing importance of incorporating geopolitical intelligence into strategic planning, enterprise risk management, regulatory compliance, and organisational resilience.

As geopolitical fragmentation continues to reshape the international financial landscape, investment banks will need to strengthen analytical capabilities, diversify business operations, enhance technological innovation, and develop adaptive risk management frameworks capable of responding effectively to an increasingly complex global environment.

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