Why Not Global Korean Banks?

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While many of Korea’s largest financial institutions continue to make headlines around the world as efficient producers, marketing innovators, and technology leaders, one sector continues not to be highlighted in the mainstream media—Korean banking. In the world of international banking, the largest Korean bank, the state-owned Bank of Korea, revenues from its domestic banking operations are dwarfed by the world’s largest bank, Citigroup, in New York. Some banks generate more revenues even outside of their home country. This essentially means that commercial, wholesale, and retail banking—some core banking activities that can be undertaken in multinational companies as well—is a natural monopoly for a firm operating in multiple countries. These are activities that can be undertaken in multiple countries.

The world’s largest bank, Citigroup, operates in 140 countries, which are substantially larger than the largest Korean bank. In many countries in Europe and the Americas the banks dominate the market as active participants. The same goes for the banking systems in many other countries.

The reason for this is that it is much more difficult to diversify across financial services if one is confined to a single country. One can diversify across financial services only after one has a certain critical mass that allows one to do so. The critical mass is not only a function of the size of one’s home country. The critical mass is a function of the size of one’s home country.

In the aftermath of the 1997 Asian financial crisis and the subsequent sell-off of Asian financial assets, some banks have had a head start with the export-import finance business given the international competitive- ness of Korean manufacturing firms. This is an example of how a single premium is the premium for a single premium. The critical mass is a function of the size of one’s home country.

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