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Geofinance: A Systematic Review of the Literature

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Geofinance: A Systematic Review of the Literature

Abstract:

The term "geofinance" was first introduced by Charles Goldfinger in his book Geofinance: Understanding Financial Transformation in 1986, marking a turning point in the understanding of the interplay between finance and geopolitics. Geofinance, as a concept, has gradually taken shape in academic work, drawing particular attention for the way it links geopolitical forces with the behavior of global financial markets. In today's deeply interconnected economy, events such as armed conflicts, economic sanctions, or prolonged political instability can unsettle investors and shift market dynamics in ways that are both immediate and far-reaching. For this review, we worked within the PRISMA 2020 framework, narrowing the scope to 45 studies, journal articles, book chapters, and conference proceedings, after the final screening stage. These works were examined not only for the theories they propose, but also for the empirical methods they rely on. The analysis brings forward recurring patterns, the most notable advances, and the blind spots that remain in the literature, offering several directions that future studies could take to close those gaps. It particularly emphasizes the diversity of theoretical perspectives and empirical strategies applied to assess the financial repercussions of geopolitical tensions. By drawing on a broad range of interdisciplinary studies, this review contributes to a deeper understanding of the mechanisms through which geopolitical shocks reverberate across financial systems. The findings underscore the growing importance of geofinance as a theoretical framework and analytical tool for understanding the impact of geopolitical dynamics on financial markets and highlight the need for further research to better grasp this complex relationship.

Keywords : Geofinance, Financial risk, Financial markets, Geopolitical events, Global finance
JEL Classification: G15
Paper type: Theoretical Research

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1. Introduction

All reference has to be cited in text. In nowaday's global landscape, economic and political systems are tightly interwoven. And the links between geopolitical events and financial markets have become a real concern for both scholars and practitioners. The term geofinance was first introduced by Charles Goldfinger[1] in 1986. It was meant to describe precisely this connection between the financial system, geography and geopolitics. In his book: "geofinance: to understand the financial mutation" golfinger studies the way financial systems and geopolitical realities shape one another. Over time, geofinance has developed into a fully recognised area of study, positioned at the crossroads of international relations and financial economics. It shows how political environments and geographic contexts can influence investment decisions, market dynamics, and also the way it challenges the economic resilience of nations (Parenti & Rosati, 2018; Grandi et al., 2019). Geofinancial influences can appear in many ways: armed conflicts, the imposition of economic sanctions on countrie , abrupt political upheavals, shifts in diplomatic partnerships…etc. Each of these manifestations is capable of changing the perceptions of financial risk. In the current global context, geopolitical risk exerts an unignorable influence on financial performance. There are numorous real cases of geopolitical issues such as trade disputes, persistent instability in the Middle East, the ongoing tensions in Eastern Europe, USA-China trade war, COVID 19, the Ukrainian-Russian war have all triggered rapid market responses. Such developments disrupt international supply chains. They destabilise commodity markets. They also prompt significant cross-border capital movements (Alsagr, 2024; Chishti et al., 2023). In 2014, the annexation of Crimea sent shockwaves through global markets. It eroded investor confidence and prompted shifts in portfolio strategies. A few years later, tariffs escalated between major trading powers disrupted the trade routes and then reshaped cross-border investments. The Brexit referendum in 2016 triggered volatility in currency and equity markets. And uncertainty over future trade arrangements rippled outward. Similarly, the 2018 reimposition of U.S. sanctions on Iran unsettled energy markets and altered investment patterns in the Middle East. Even the 2020 U.S.A- China technology restrictions reverberated through supply chains. It affected both semiconductor stocks and broader market sentiment. The list of similar events and their repercussions is endless. In order to provide a structured means of quantifying all these phenomena, Caldara and Iacoviello (2018) introduced the Geopolitical Risk Index[2] (GPR), designed to measure the geopolitical risk. Other researchers explored the various channels through which such events influence investment decisions (Alsagr, 2024; Chishti et al., 2023). In fact, studies in this area repeatedly point to a few main pathways. These include shifts in perceived risk, redirection of capital flows, and asset repricing when uncertainty rises. To study these effects, researchers use different methods. They range from event-based analyses and volatility studies to advanced econometric tools that detect subtle, long-term impacts. Yet, despite all the progress made, research in this area are still scattered. Studies often differ in the variables to track, the periods to cover, and the geographic scope to adopt, making it difficult to build a fully coherent picture. Even with the rise in empirical analyses, several geofinancial questions remain unanswered. We still know little about how developed and emerging markets respond their vulnerability to geopolitical shocks. We also don't know much about how these shocks interact with other types of systemic risk. Some impirical studies have shown that geopolitical shocks do not affect all the markets in the same way. The impact depends on the market's structure, regional integration, and the nature of the event (Baker et al., 2016; Bouri et al., 2019). For instance: oil-exporting economies

[1] *Charles Goldfinger : french economist who introduced the concept of geofinancein 1986, linking monetary flows to geopolitical events.*
[2] *GPR : Geopolitical risk index is a quantitative measure developed by caldara and lacoviello (2018) that tracks the frequency of geopolitical risk related terms in major international newspapers.*

are often more vulnerable to instability in the Middle East. Advanced equity markets may react more strongly to sanctions or periods of policy uncertainty. These patterns show the value of compiling scattered findings in a systematic way. This makes it easier to see recurring relationships and methodological differences. Building on these observations, this papper applies a systematic literature review (SLR) alongside a critical synthesis of major theoretical and empirical studies. This approach supports clear comparisons of findings. It also highlights both recurring patterns and areas that remain underexplored.

The study aims to gather and assess what is currently known about the ways geopolitical events influence global financial markets. It examines the breadth of existing research. It also considers how these findings fit together and where gaps remain. The focus is on how researchers have linked geopolitical forces to the workings of financial systems. Guided by the PRISMA 2020 framework, the analysis considers 45 works; journal articles and book chapters identified after the final screening. The synthesis pursues three main goals: to trace how research in this area has evolved over time; to evaluate the principal theoretical perspectives and empirical methods applied; and to pinpoint gaps in the literature, offering suggestions for where future investigations could be most valuable.

This review is shaped by a central question: in what ways does geopolitical risk affect the dynamics of financial markets, and how far have existing studies gone in offering theoretical and empirical answers to that question? To explore this, the analysis looks at three areas in particular: first, the influence of geopolitical events on market behavior; second, the range of methods and models used to study these effects; and third, the gaps and limitations that point to promising directions for future research.

Our paper unfolds in five main sections. It begins in Section 2 with an overview of the theoretical background and the key conceptual frameworks that guide the analysis of geofinance. Section 3 then describes the approach taken for the systematic literature review (SLR), explaining how sources were identified and selected. The results appear in Section 4, starting with a bibliometric analysis and moving on to a comparative discussion of the findings, a look at methodological differences across studies, and an outline of practical implications alongside suggestions for future research. Section 5 closes the study. It sums up the main contributions, notes the limitations, and highlights where further research could add the most value.

2. Theoretical Background

2.1. Spatial and Geopolitical Roots of Geofinance

Scholars of finance have long acknowledged that geography matters. In the early work in financial geography, they examined how the location of markets and the networks of infrastructure both physical and institutional shape the movement of capital across borders. (goldfinger, 1986) These studies stressed that financial activity does not unfold in an abstract vacuum. It is anchored in specific territorial contexts, subject to the influence of national regulatory frameworks, the economic alliances, and the degree to which markets are integrated into global networks.

This geographical perspective broadened to incorporate implicitly political considerations. This shift opened the door to questions of power of finance in international relations. The introduction of the term geofinance by Charles Goldfinger in 1986 marked a significant turning point. His work linked monetary flows to global structures and geopolitical developments. He prepared the foundations for a new analytical space at the intersection of finance, geography, and geopolitical analysis. Subsequent contributions, such as those by Parenti and Rosati (2018) and Grandi et al. (2019), further developed geofinance into a coherent field of study that is capable of explaining how financial systems can both shape and be shaped by political realities.

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In this context, markets are not neutral arenas but spaces where political authority and economic interests meet. Occasionally in harmony and at other times in chaos.

2.2. Theoretical and Methodological Perspectives on Geopolitical Risk

In international finance, the Efficient Market Hypothesis[3] (EMH) posits that asset prices adjust rapidly to new geopolitical information. Therefore, markets remain informationally efficient. Nonetheless, scholars of behavioral finance challenge this perspective. they do argue that markets do not always behave in line with rational expectations. There are cognitive biases, and episodes of overreaction or underreaction that can lead to market outcomes that are divergent from the predictions of rational models. Financial geography adds another dimension. It highlights how the institutional arrangements and spatial distribution of markets can fasten shocks transmissions. To translate these theoretical insights into empirical research, some measures of geopolitical risk are needed. One widely used tool is the Geopolitical Risk Index (GPR) developed by Caldara and Iacoviello (2018), which quantifies risk by tracking the frequency of event-related terms in major news outlets. Other indicators such as the VIX[4] for market volatility or the Economic Policy Uncertainty Index can map how different types of uncertainty manifest in financial markets. There are many methodological approaches in this area. Event studies focus on the immediate market reaction following a geopolitical shock. They offer valuable insights into short-term dynamics. In contrast, longitudinal analyses are needed to examine how persistent geopolitical tensions reshape market structures and investor behavior over time. Each method brings its own strengths. The field is fragmented with theoretical models and empirical tools which are often applied in isolation. There is a need to intergrate spatial, political, and behavioral perspectives to provide a richer and more coherent understanding of how geography and geopolitics jointly influence the evolution of financial systems.

3. Methodology

This review adopts a systematic approach. it examines the body of research on geofinance and its influence on global financial markets. The methodology ensures the selection of methodological and rigourous studies in geofinance. only the most relevant and up-to-date contributions were incorporated thtough a rigourous phase of data selection.

3.1. Selection procedure: Data sources

The literature that was examined in this review spans a wide range of scholarly work addressing: geofinance, geopolitical risk, and their influence on global financial markets. It draws on peer-reviewed journal articles and other academic contributions identified via systematic searches of reliable databases such as Scopus and Web of Science. We used a targeted set of keywords: Geofinance, Financial Risk, Financial Markets, Geopolitical Events, and Global Finance, in order to guide the search and ensure thorough coverage. We selected articles according to their direct relevance to the ways in which geopolitical uncertainty,and associated risks affect markets behavior.

3.2. Inclusion and exclusion criteria

- ***Inclusion criteria***

The studies selected and analysed in this review were chosen according to strict criteria:

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[3] *The Efficient Market Hypothesis (EMH): theory in finance stating that asset prices fully and instantly reflect all available information, making it impossible to consistently achieve returns above the market average.*
[4] *VIX: Volatility Index is an index created by the Chicago Board Options Exchange (CBOE). It measures market expectations of near-term volatility.*

- Type of publication: only peer-reviewed journal articles, scholarly books, and conference proceedings wer taken into consideration. We excluded works published in languages other than French or English to maintain consistency and ensure accessibility.
- Time period: the scope spans from 1986 to 2024. This range captures the origins of the geofinance concept in 1986 and its evolution until 2024.
- Subject relevance: we selected the researches that are directly exploring the link between geopolitical events and financial markets.
- Methodological rigour**:** we made sure that the studies selected included the application of recognised econometric models or robust empirical analyses capable of producing reliable conclusions.

- ***Exclusion criteria***

To refine the list of sources, exclusion rules were applied.

- An initial consideration was relevance: we excluded studies that did not analyse financial impacts or failed to establish a clear link to geofinance.
- Another important aspect concerned scope: articles confined to abstract theorising, without supporting evidence from real-world cases, were set aside to preserve the empirical foundation of the review.
- A final criterion related to methodological soundness. Works with incomplete datasets or poorly defined research designs were removed, because they could not provide the reliability needed to support the review's analytical objectives.

- ***PRISMA flow diagram***

Following the PRISMA 2020 guidelines (Page et al., 2021), the study selection process was structured in multiple stages. An initial identification yielded 370 records across multiple databases (Scopus, Web of Science, Google Scholar, Cairn) and additional sources (books and proceedings). After removing duplicates**,** 320 records were screened by title and abstract, leading to the exclusion of 225 records for irrelevance. The full texts of 95 studies were then assessed against the inclusion and exclusion criteria, resulting in 45 studies included in the final synthesis.

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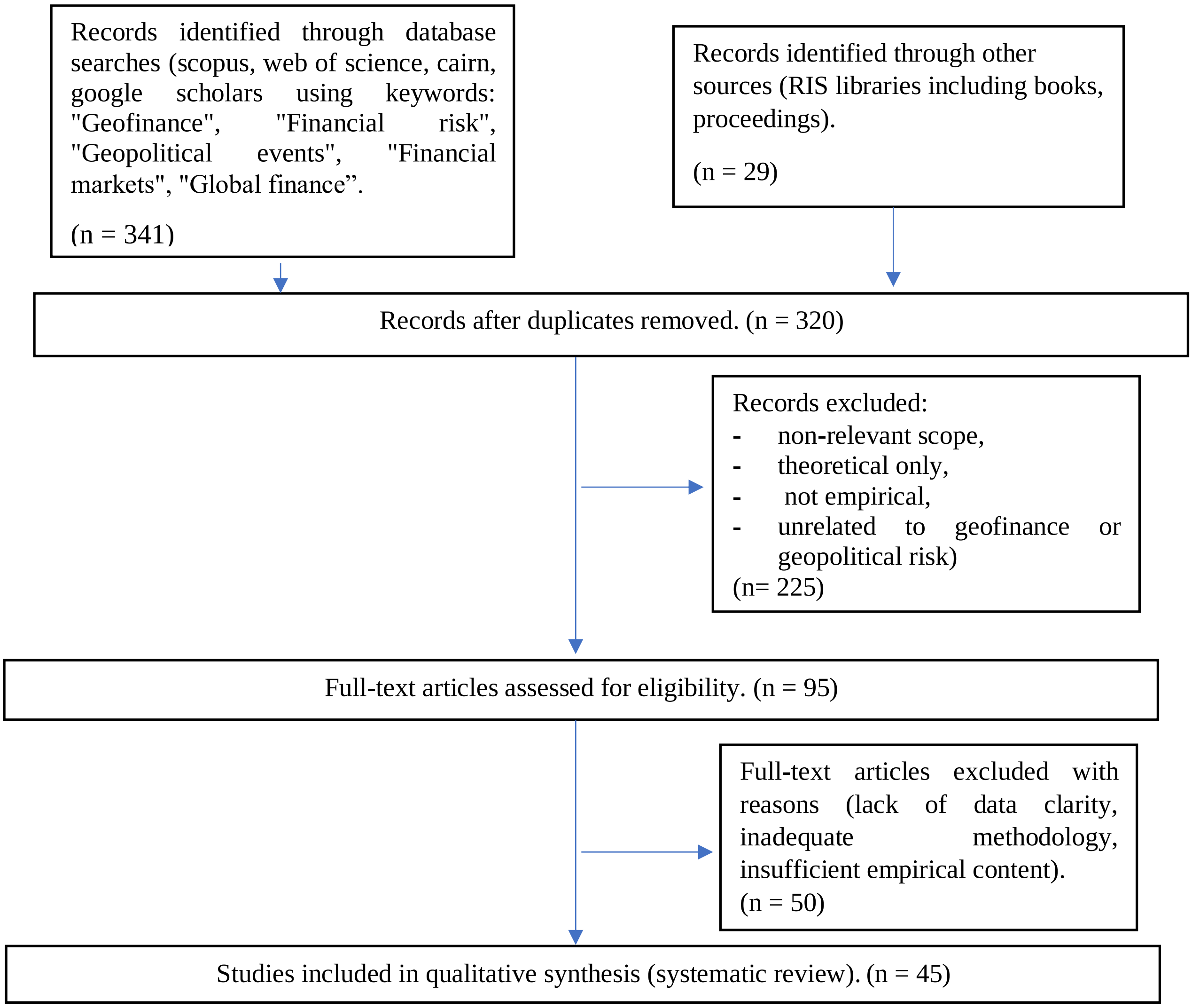
Figure 1: PRISMA 2020 Flow Diagram of the Study Selection Process



Source: adapted by the authors based on PRISMA 2020 (page et al, 2021)

3.3. Synthesis process and thematic analysis

- ***Selection process***

The selection process was conducted in two stages:

- Initial Screening: The titles, abstracts, and keywords of all identified articles were reviewed to assess their relevance to the research questions. Articles meeting the inclusion criteria at this stage were retained for a more in-depth examination.
- Full-Text Screening: The full texts of the remaining articles were then examined in detail to determine their eligibility based on the inclusion and exclusion criteria. Particular attention was given to the methodological frameworks, findings, and contributions of each study.

- ***Synthesis and analysis***

After the selection of the literature, the findings of the studies were synthesized into thematic categories, emphasizing common trends, key insights, and divergent results. To ensure methodological consistency and analytical depth, the coding and classification of themes were supported by the use of qualitative data analysis software, notably NVivo**,** which facilitated the identification of recurring patterns related to the analysis of geopolitical risks, the financial instruments or markets most affected, and the geographical regions most vulnerable to such events. The results of this synthesis will be presented in the following sections, offering a comprehensive overview of the current state of knowledge in geofinance and underscoring the research gaps that warrant further investigation.

4. Results:

4.1. Bibliometric analysis

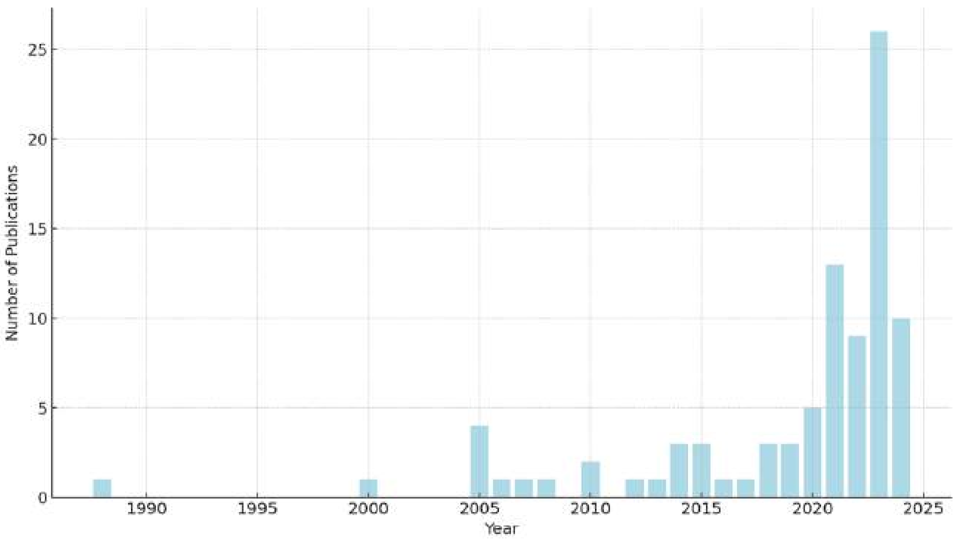
The review of literature brought to light a number of recurring perspectives. These were examined and visualized to highlight shared themes, notable contributions, and common limitations across the studies considered. What follows is a synthesis of the most relevant findings, with particular attention given to publication patterns, thematic trends, and areas where further research is needed.

4.1.1. General trends in publications

- ***Publication trends over time:***

Over the past decade, scholarly attention to geofinance and geopolitical risks has grown steadily, a trend clearly reflected in the bar chart showing the number of publications by year.The highest concentration of studies appears between 2018 and 2024, reflecting the growing relevance of geopolitical events such as trade wars, economic sanctions, and regional conflicts for global financial stability. This trend underscores the increasing recognition of geofinancial risks as critical factors influencing market behavior.

Figure 2: Number of publications per year



Source: Authors' elaboration based on data collected for the literature review.

- ***Recurring topics and conceptual focus in the literature***

A word cloud generated from the contributions of the selected studies highlights the core themes present within the literature. The topics most frequently addressed include the impact of geopolitical risks, the behavior of financial markets, market volatility, and investment decision-making. The studies predominantly focus on examining how geopolitical events, such as armed conflicts, periods of instability, and the imposition of international sanctions affect stock price movements, cross-border investment flows, and the broader dynamics that characterize financial markets.

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Figure 3: Word Cloud of the Most Frequently Occurring Terms in the Literature

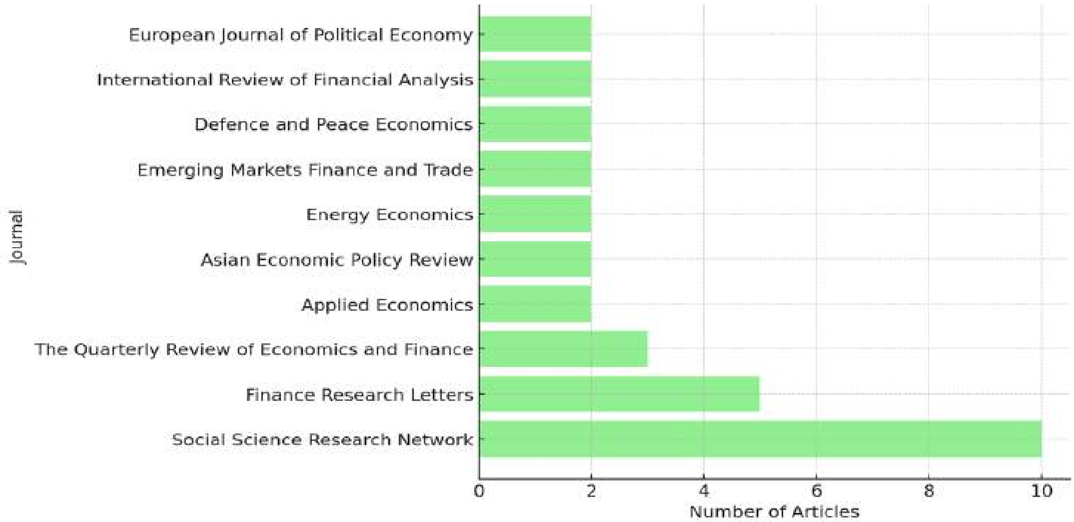
Source: Authors' elaboration based on data collected for the literature review

4.1.2. Main contributions in the field

- ***Publications in journals and research platforms***

The review revealed that the majority of research on geofinance and geopolitical risks has been published in a limited number of key journals. The chart displaying the top 10 journals by the number of articles shows that journals such as *Applied Economics*, the *European Journal of Finance*, and the *Social Science Research Network* serve as primary platforms for disseminating research in this field. These journals have provided significant space for discussions on the economic and financial implications of geopolitical events, showcasing studies that employ robust econometric and empirical methods to evaluate the impact of these risks on global financial systems.

Figure 4: Top 10 journals by numbers of articles

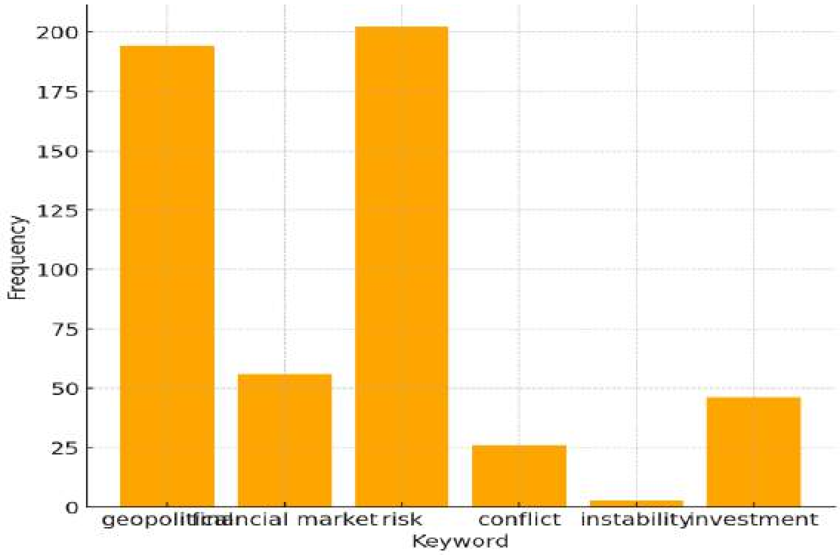


Source: Authors' elaboration based on data collected for the literature review

- ***Thematic focus of the research***

The thematic analysis of the keywords found in the abstracts of the selected studies highlights several recurring topics. Terms such as geopolitical risk, financial markets, conflict, instability, and investment appear frequently, reflecting the primary focus of the literature. These keywords indicate that most of the research is centered on evaluating the risks that political events pose to financial markets and on analyzing how investors react to these risks.

Figure 5: Keyword frequency in abstracts



Source: Authors' elaboration based on data collected for the literature review

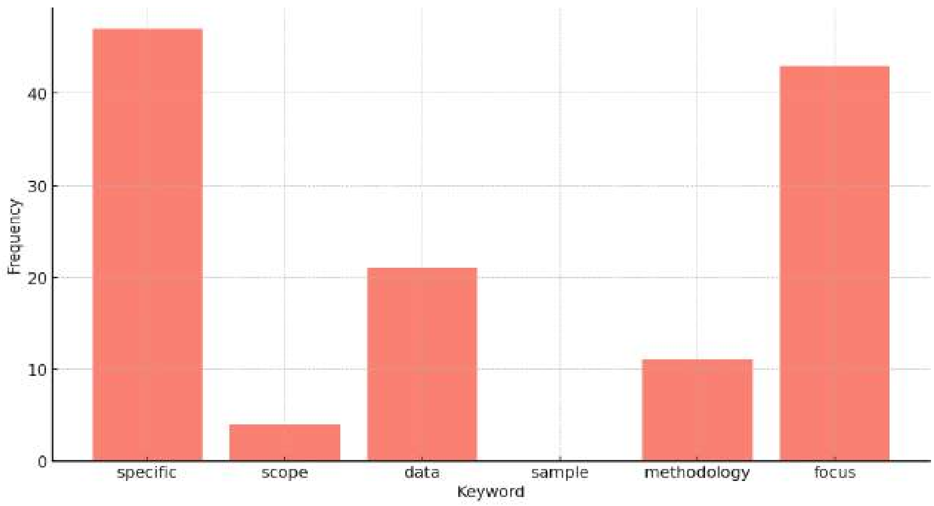
4.1.3. Analysis of common limitations in the literature

- ***Common limitations identified across the literature:***

Despite the growing volume of research on the intersection of geopolitical risks and financial markets, several notable limitations have been consistently identified within the studies analyzed. A detailed analysis of the frequently occurring keywords in the limitations sections of these studies revealed recurring mentions of issues related to the scope and granularity of the data utilized, the relatively small sample sizes, and the methodological choices employed in the analyses.

Furthermore, a significant number of studies highlighted limitations in terms of their geographical focus, often concentrating predominantly on developed economies while overlooking emerging markets, which may, in fact, be more susceptible and exposed to the adverse impacts of geopolitical shocks and volatility. This narrow geographical lens restricts the generalizability of the findings, thereby underscoring the need for future research to adopt a broader and more inclusive perspective that adequately captures the vulnerabilities and unique dynamics of emerging financial markets within the context of geopolitical risk.

Figure 6: Most frequently occurring terms found in the limitations sections of existing research



Source: Authors' elaboration based on data collected for the literature review

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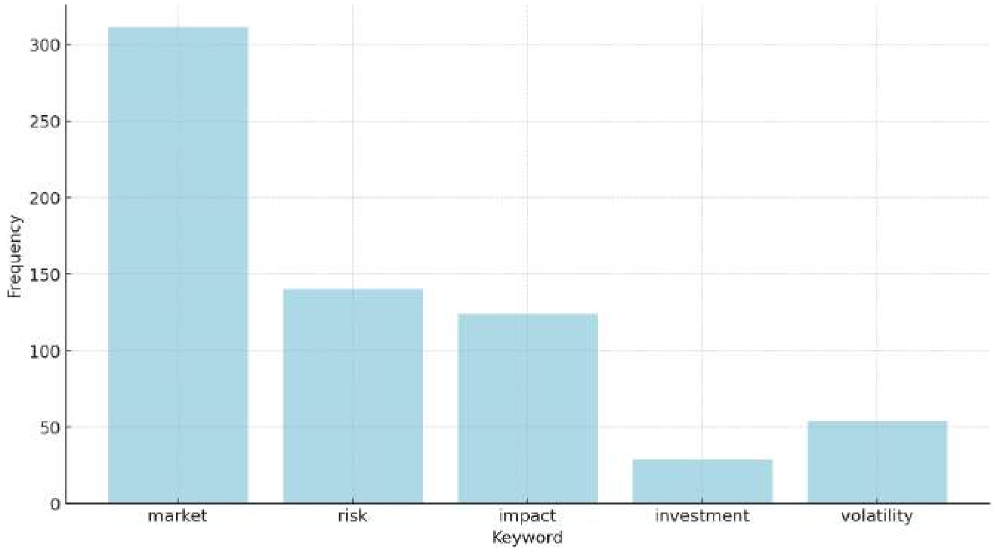
- ***Perspectives and practical implications :***

The chart depicting the most frequently occurring keywords within the perspectives sections of the reviewed studies illustrates that the literature has made substantial contributions to enhancing the understanding of how geopolitical risks affect market volatility, investment flows, and risk management strategies.
Several studies have provided practical implications for both policymakers and investors, emphasizing that the development and implementation of more refined and sophisticated geopolitical risk assessment tools could play a critical role in mitigating the adverse financial impacts associated with periods of political instability. These studies suggest that by incorporating advanced risk evaluation frameworks, financial actors and regulatory bodies can better anticipate, prepare for, and respond to the complexities introduced by geopolitical uncertainties, thereby contributing to greater resilience within financial markets in the face of global instability.

Figure 7: Most frequently occurring terms identified within the perspectives sections of existing researches



Source: Authors' elaboration based on data collected for the literature review

The systematic literature review on geofinance reveals a rich body of knowledge regarding the impact of geopolitical events on global financial markets, highlighting the considerable scholarly attention this intersection has received. However, significant differences persist across the studies examined, particularly in terms of their research focus, methodological approaches, and the overall scope of their analyses.
This section undertakes a comparative analysis of the principal findings across the literature, discussing the implications of these results for theory and practice while simultaneously identifying key areas where notable research gaps remain. In doing so, it offers clear guidance and directions for future scholarly exploration, encouraging further investigation that can address these gaps and deepen the understanding of how geopolitical dynamics shape financial market behaviors and structures on a global scale.

4.2. Comparison of findings and divergent perspectives

- ***The impact of geopolitical events on financial markets***

The varied ways in which markets respond to geopolitical risk make it clear that no single, one-size-fits-all framework can fully capture geofinancial risks. Current research gives relatively little attention to region or sector specific analyses. They leave a significant gap that warrants deeper investigation. Filling these gaps would allow for a richer and more nuanced understanding of how geopolitical forces shape financial systems differently across economic contexts and industry sectors.

- ***Methodological variations and limitations of the literature***

Geofinancial risk research uses a lot of different methods, and these differences often affect the conclusions that are drawn. The majority of studies utilize econometric models and event studies analysis to evaluate the impact of geopolitical events on financial markets. These tools are widely used in the field, but the results can be very different depending on many factors: the datasets used, the time frames looked at, the specific modeling choices made. Event studies usually look at short-term reactions, like how prices change in the days or weeks after a geopolitical shock. On the other hand, econometric models are sometimes made to show longer-term patterns that develop over longer periods of time.
These differences make research design very inconsistent, which makes it hard to compare results from different studies or make conclusions that are true for everyone. Addressing these methodological concerns would enhance the reliability and comparability of forthcoming geofinance research. It would also give researchers the tools to build a more precise and nuanced picture of geofinance.

4.3. Methodological variations and their impact on findings

- ***Short-term versus long-term effects***

Much of the current research examines how markets respond to geopolitical shocks in the short run, often by analysing the surges in volatility that occur immediately after such events. These studies typically encompass only short durations, ranging from a few days to several weeks, during which market fluctuations can be distinctly associated with the event. This work is helpful for understanding how markets react in the short term, but it doesn't always take into account the longer-term effects of geopolitical risk, like ongoing political instability, long-lasting conflicts, or changing sanctions that last for months or even years.
There is a clear gap in geofinance scholarship because there hasn't been any long-term research on the financial effects of geopolitical events. Following how these risks affect market trends and investor behavior over years, not just weeks or months, could help investors, policymakers, and analysts get a better picture of how geopolitical instability affects global markets in the long run. Such studies could also show if some markets can bounce back and become stable again after a shock, or if they stay stuck in a state of instability and increased risk for a long time. Adding longitudinal studies to research would really improve the literature by showing when and how long geopolitical risks last. This method could also help make better risk management tools and policy responses, especially when dealing with long periods of geopolitical uncertainty.

- ***Emerging financial technologies and geopolitical risks***

A significant deficiency in the existing literature is the inadequate examination of the impact of geopolitical risks on emerging financial technologies, including cryptocurrencies, decentralized finance (DeFi), and blockchain-based systems. As digital assets and new financial infrastructures grow quickly, these markets are likely to be affected by geopolitics in ways that are very different from how traditional finance is affected.
For example, cryptocurrencies, are often viewed as assets that operate beyond the direct reach of state control. These raises pressing questions about their resilience during episodes of geopolitical turmoil or under the weight of international sanctions. The same concerns extend to blockchain infrastructures. Now integral to fields such as global supply chain management that can face substantial geopolitical hurdles, particularly when regulatory frameworks span multiple jurisdictions or when legal authority is contested. As these technologies gain

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prominence in the architecture of the global financial system, it becomes essential to investigate how geopolitical risks interact with cryptocurrencies, blockchain networks, and the broader spectrum of fintech innovations. Exploring these intricate interconnections could yield insights of value to both conventional financial markets and the expanding realm of digital finance.
In an age defined by rapid technological advancement and heightened geopolitical friction, such knowledge could underpin smarter risk-management tools, adaptive regulatory models, and investment strategies that are responsive to shifting global realities. Research in this space would not only bridge a notable gap in geofinance researches but also provide actionable guidance for policymakers and market participants confronting the unique vulnerabilitie. and opportunities of emerging financial technologies in unstable environments.

- ***Investor behavior and geopolitical risks***

Another less-studied area in the literature is how investor psychology and behavioral finance affect how markets react to geopolitical events. Most current research presumes that investors react rationally to these risks, relying predominantly on conventional financial models that predict market fluctuations based on economic fundamentals and rational expectations.
Geopolitical events often stir intense emotions among investors, sometimes pushing markets to react far more sharply or far more mildly than the underlying economic reality would justify. A sudden change in government or a high-profile terrorist attack can trigger waves of panic selling, while in other cases it may spark a rush of herd-like buying. These behaviours defy the neat logic of traditional financial models, which struggle to account for reactions driven by fear, overconfidence, or collective momentum.
Incorporating the lens of behavioural finance into geofinancial risk analysis could shed light on how emotions, cognitive biases, and psychological pressures shape market dynamics during periods of heightened political tension. Such an approach would offer a richer picture of how investors perceive danger, navigate uncertainty, and make decisions under pressure.
Future research could map out these behavioural patterns in greater detail, deepening our understanding of market responses during political crises. This, in turn, would broaden the scope of geofinance by recognising the complexity of human decision-making and showing how psychological factors can either amplify or cushion volatility in the face of geopolitical shocks. The resulting insights could form the backbone of more accurate predictive models and targeted risk management tools. ones that truly reflect investor behaviour when the global environment is unstable.

4.4. Practical guidelines for managing geofinancial risks in financial markets

- ***Environmental geopolitics and climate change***

In recent years, climate change and environmental policy have moved from the periphery to the centre of global political and economic debate. This shift has pushed environmental geopolitics into the spotlight within both international relations and finance. Geofinance scholarship has so far only skimmed the surface of climate-driven geopolitical risks. conflicts over scarce resources, shifts in environmental legislation, and the large-scale transition to cleaner energy systems. These issues are poised to shape both diplomacy and capital flows in profound ways. Particularly as nations attempt to reconcile sustainability goals with the economic disruptions brought by environmental degradation.
A deeper investigation can trace how environmental regulations, resource scarcity and climate-induced disputes interact to destabilise financial systems. It can also explore market responses to the geopolitical consequences of global climate accords, cross-border resource-management agreements as well as massive investments in renewable energy. these inquiries can clarify how

environmental pressures and geopolitical risks intersect not only to shape investment strategies but also to alter market trajectories and redirect capital in today's tightly linked economy.
Integrating environmental geopolitics into finance would not simply expand the scope of the field. it would provide a richer and more realistic picture of the multi-layered challenges that face global markets in the era of climate change. The insights gained can feed into the design of new forecasting tools and adaptive risk-management frameworks that reflect emerging environmental realities. In doing so, financial systems might strengthen their resilience against the dual pressures of sustainability transitions and geopolitical tensions over natural resources.

- ***Positive geopolitical events***

much of the spotlight falls on the disruptive aspects of geopolitical risk. By contrast, constructive developments such as peace accords or landmark trade agreements are discussed far less often, and when they are, the treatment is rarely as detailed. Yet, these events can have powerful effects: they ease investor anxieties and help bring stability back to financial markets. Too often, however, such positive shifts are overshadowed by the urgency of crises that dominate both academic discourse and media coverage. A deliberate and systematic study of the financial impact of favourable geopolitical developments could redress this imbalance. It would reveal the conditions under which markets rebound after shocks and clarify the strategic role diplomacy can play in sustaining long-term stability within the financial system. It would offer a more nuanced picture of geofinance. A picture that acknowledges both market fragility in the face of geopolitical shocks and the capacity for resilience following constructive political change.

4.5. Future research directions

The gaps identified in this review open several promising paths for future inquiry.

- Regional and sectoral perspectives**:** more research is needed on how geopolitical risks play out across different regions and industries. Emerging markets, along with strategically sensitive sectors such as energy and advanced technology, warrant particular attention.
- Longitudinal analysis**:** examining the enduring consequences of geopolitical instability would help capture its full impact on financial markets. By tracing performance over extended periods, we could detect patterns in post-crisis recovery or prolonged volatility and offer a clearer picture of market adaptation.
- Geopolitical risks and emerging technologies**:** understanding how cryptocurrencies and decentralized finance behave under geopolitical strain becomes essential. Studying their resilience or fragility during political upheavals could lead to better frameworks for assessing systemic risk.
- Behavioural finance and investor psychology**:** the way emotions, heuristics, and cognitive biases can shape market reactions to geopolitical events can be scientifically interesting. A deeper grasp of decision-making under stress would equip market participants with more effective risk-management tools during political crises.
- Environmental geopolitics**:** Climate-linked geopolitical challenges remain underexplored in geofinance. nvestigating the nexus between environmental policy and financial stability could inform strategies for managing environmental risk within a financial context.

Addressing these gaps would provide a richer understanding of the intricate relationship between world geopolitics and financial markets. It would also offer sharper instruments for decision-makingin an interconnected and volatile global landscape.

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5. Conclusion

This systematic literature review set out to explore how geopolitical events influence the functioning of global financial markets, drawing on a transparent and structured process to identify, evaluate, and synthesize relevant studies. By following a clear set of criteria, this approach ensured that the evidence was assessed fairly and consistently, enabling the main themes and recurring patterns in geofinance research to emerge with clarity. The result is a well-rounded view of the field as it stands today: its strengths, its limitations, and the questions that remain unanswered. One consistent finding is the concentration of research on short-term effects. Much of the existing work examines what happens in the days or weeks after a geopolitical shock price swings, shifts in investor sentiment, or rapid reallocations of capital. Far less attention has been given to what follows in the longer term, such as how markets adapt or fail to recover over months and years. Understanding these extended impacts is crucial, as prolonged instability can reshape market structures and investment strategies in ways that short-term analyses cannot capture.

Another gap is the limited integration of emerging financial technologies into the study of geopolitical risk. Cryptocurrencies, decentralized finance platforms, and blockchain applications are no longer peripheral. They are now a part of the world's financial system. But we still don't know much about how strong and weak they are when it comes to political shocks. This is a mistake with possibly serious consequences, given how quickly these technologies are being used.

Future research should maintain the rigor of systematic methodologies while expanding both the temporal dimensions and thematic breadth of investigation. Longitudinal studies could monitor market resilience or enduring fragility over prolonged durations, providing a more comprehensive understanding of recovery trends. Adding new financial technologies to this framework could help to understand how innovation and political instability affect each other. What's more, he incorporation of behavioral finance is equally significant, as it elucidates how psychological factors such as fear, optimism, and herd behavior influence investor decision-making during crises. By recognizing these human factors, researchers can create predictive models and risk management plans that more accurately show how markets act when politics are unstable. Lastly, it will be important to keep a systematic and open approach to protect the credibility and comparability of future findings. As geopolitical risks become more complicated and widespread, geofinance research needs to step up to the plate and provide analysis that is both useful in the real world and academically sound. Filling in the gaps found in this review will not only help us understand the theory better, but it will also give investors, regulators, and policymakers the information they need to deal with a financial system that is becoming more connected and is sometimes shaken by political forces. By doing this, future studies can help create stronger, more flexible, and more forward-thinking financial systems that can handle the uncertainties of a changing geopolitical landscape.

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