The Dynamics of Market Entry:  
The Effects of Mergers and Acquisitions on  
De Novo Entry and Small Business Lending in the Banking Industry

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Abstract

We study the dynamics of market entry following mergers and acquisitions (M&As), and the behavior of recent entrants in supplying output that might be withdrawn by the consolidating firms. The data, drawn from the banking industry, suggests that M&As are associated with subsequent increases in the probability of entry. The estimates suggest that M&As explain more than 20% of entry in metropolitan markets, and more than 10% of entry in rural markets. Additional results suggest that bank age has a strong negative effect on the small business lending of small banks, but that M&As have little influence on this lending.

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