

**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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July 1999

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entry following mergers and acquisitions (M&As), and the behavior of recent entrants in supplying output that might be withdrawn by the consolidating firms.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.

JEL Classification Numbers: G21, G28, G34, E58, L89

Keywords: Entry, Barriers to Entry, Bank, Mergers, Small Business

The opinions expressed do not necessarily reflect those of the Board of Governors or its staff. The authors thank John Boyd for excellent discussant comments, Bob Avery, Sally Davies, Bob DeYoung, Luke Froeb, Al Gilbert, Greg Werden, and the participants at the Chicago Federal Reserve Conference on Bank Structure and Competition for helpful comments, and Kelly Bryant for outstanding research assistance.

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