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Tenga en cuenta

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This paper studies the determinants of individual bank failures and M&A processes in Colombia during

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the financial crisis of the late 1990s. Using bank-specific data we estimate competing risk hazards models and find that while profitability and capitalization are the most important determinants of the probability of failing, bank's size, efficiency and capitalization are the main determinants of the probability of participating in an integration process. All else constant, an increase in capitalization reduces the probability of disappearing, whether due to the occurrence of bankruptcy, a merge or an acquisition. However, a marginal increase in capitalization reduces significantly more the probability of bankruptcy than the probability of integration. This study is the first to present a competing risks hazard model to identify covariates that exert significant influence on the probability of failing or merging for banks of an emerging economy.