

Entrepreneurship and Financial Constraints in Thailand

Anna L. Paulson

Federal Reserve Bank of Chicago

and

Robert M. Townsend

University of Chicago

We use new data from rural and semi-urban Thailand to examine how financial constraints affect entrepreneurial activity. The analysis uses nonparametric and reduced form techniques. The results indicate that financial constraints play an important role in shaping the patterns of entrepreneurship in Thailand. In particular, wealthier households are more likely to start businesses. Wealthier households are also more likely to invest more in their businesses and face fewer constraints. We also provide evidence that financial constraints place greater restrictions on entrepreneurial activity in the poor Northeast compared to the more developed Central region.