

Costly Entrepreneurship

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Road Map

The Paper

My Comments

Final Remarks

The Paper in a Nutshell

Does the entrepreneur's creditworthiness change after they start a business?

- In the long term: negative, credit default ↑, bankruptcy ↑.
- Universe of credit bureau data (Equifax).
- Variation in business credit approval rates due to pre-crisis bank shares.

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My “Reshaping” of the Paper

- Very cool data, interesting findings, standard identification!
- A lot of things going on (rich data)

My “reshaping” of the paper (just my way)

- Does separating personal and business creditworthiness beneficial for entrepreneurship?

Where the Literature Stands

- Robb and Robinson (2014): startups receive debt financing through the personal balance sheets.
- Catherine (2022): have the option to return to paid employment is important for entrepreneurship.
- We don't know whether using personal financing for entrepreneurship is costly.

What the Paper Find

- Delinquency rates for incorporated entrepreneurs is 77.56% lower than unincorporated entrepreneurs while bankruptcy rates are 58.33% lower.
- In areas with higher pre-crisis bank share, the personal debt of entrepreneurs increases relative to matched non-entrepreneurs at a greater rate after the business start.
- Debt-to-Income changes also explain 70% of the effect of entrepreneurship on bankruptcy filings.

What Could Also Be Done

- Does a higher percentage of personal debts lead to higher likelihood of unhealthy personal financial situation (creditworthiness)?
- (If so), does it is because behavioral reason or choice of financial service?
- Does unhealthy personal financial situation lead to unhealthy business financial situation?
- What are the channels? Debt overhang? Risk Shifting?

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Random Questions

Very cool paper and good luck!

- Is there a difference ex ante for who start new business and who do not?
- What about sequential entrepreneurs vs first-time (only once) entrepreneurs?
- Is there a way to know full-time vs part-time entrepreneurs?