

PUERTO RICO'S MICRO-ENTREPRENEURS

Evidence from the Federal Reserve Bank of New York Puerto Rico Small Business Survey, 2016

Puerto Rico's small business firms vary in size, years established, business performance, credit experience, and training needs. This report examines the smallest firms, the micro-entrepreneurs with annual revenues of \$50,000 or less.¹

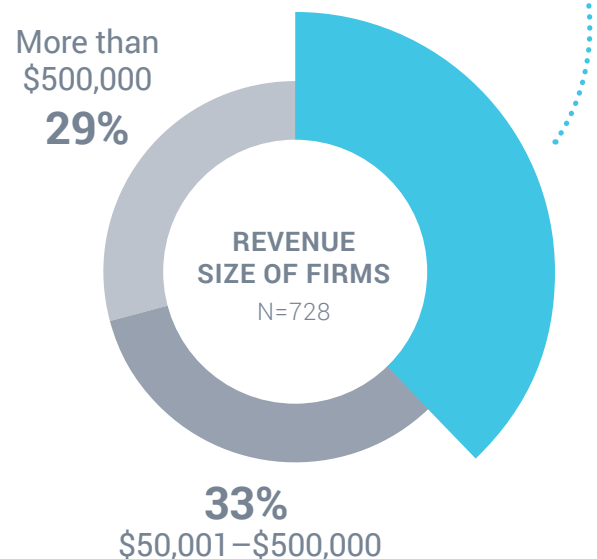
Micro-entrepreneurs typically have two, or fewer, employees; are recently established; and derive the majority of their revenues from sales to consumers.

Business performance in 2015 was more challenging for them than for larger firms. Only about 20 percent of micro-entrepreneurs reported being profitable or having increased annual revenues.

Credit demand was comparable to larger firms. The top ranked reason to seek credit was to expand the business or to cover operating expenses. However, only 34 percent of micro-entrepreneurs obtained full funding. Frequently mentioned reasons for weak credit outcomes were insufficient credit history, insufficient collateral and low credit scores. In the event of partial or zero credit funding, the micro-entrepreneurs turned to friends and family; delayed or passed on a business opportunity; or down-sized their operations.

The top ranked training need was to expand sales—by internet, exports, or to the federal government (even though the majority of these firms don't currently receive revenues from any of these sources). Almost half of all micro-entrepreneurs also requested improved access to credit.

38%
of PR firms are
Micro-Entrepreneurs
with annual revenues of
\$50K or less



¹ For comparison, the U.S. Census Bureau reports that median household income in Puerto Rico is \$19,350.

OVERVIEW

Small



85%

have two or fewer full-time employees

N=245

Newly established



39%

have been in business for less than two years

N=244

Sales primarily to consumers



47%

have consumers as their primary source of revenues

N=228

TOP BUSINESS CHALLENGE

N=205

36% managing cashflow

25% dealing with rising business costs

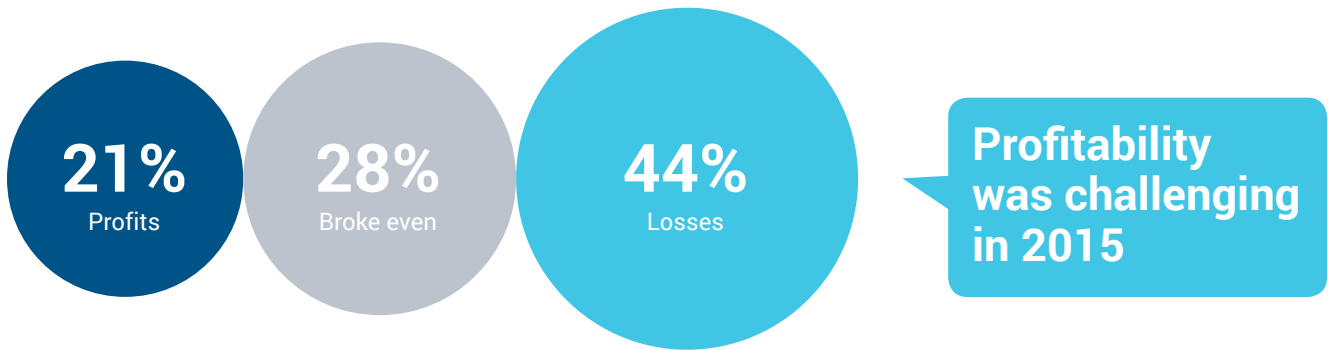
16% obtaining credit

14% complying with government regulations

BUSINESS PERFORMANCE

PROFITABILITY, 2015*

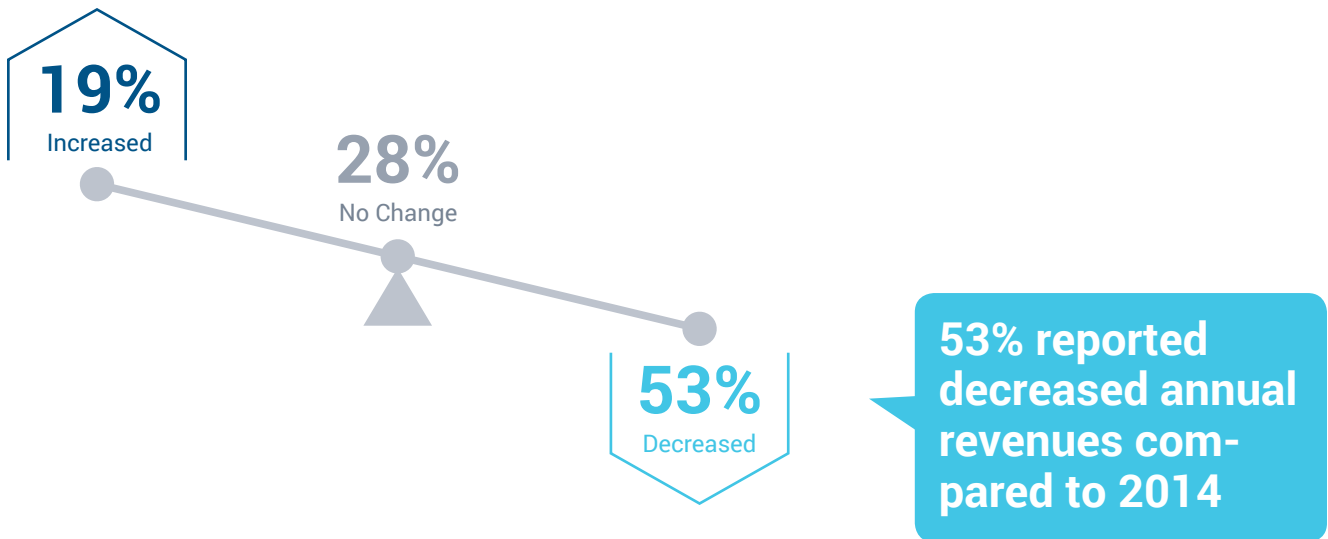
N=215



* 7% of respondents were unsure or declined to answer the question.

CHANGE IN REVENUES, 2014–2015

N=199



CREDIT DEMAND

N=210

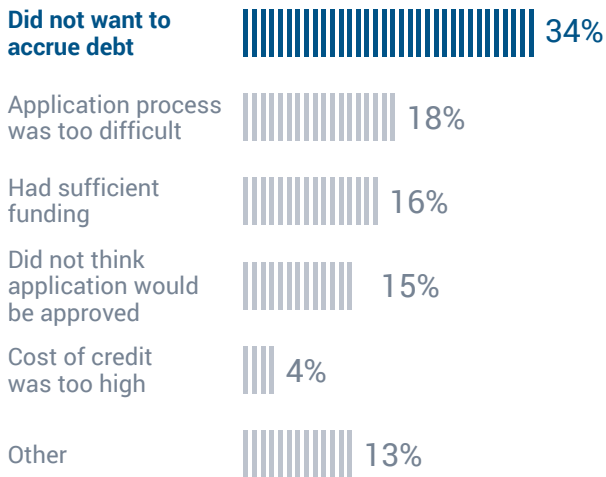
NO



47%
Did Not Apply

PRIMARY REASON NOT TO APPLY

N=101



YES

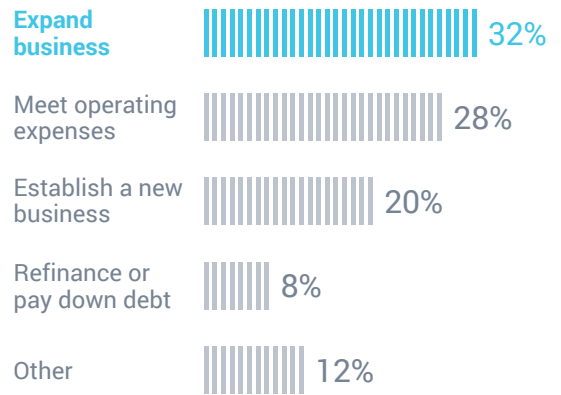


53%
Did Apply

Majority applied for small dollar loans (\$25,000 or less)

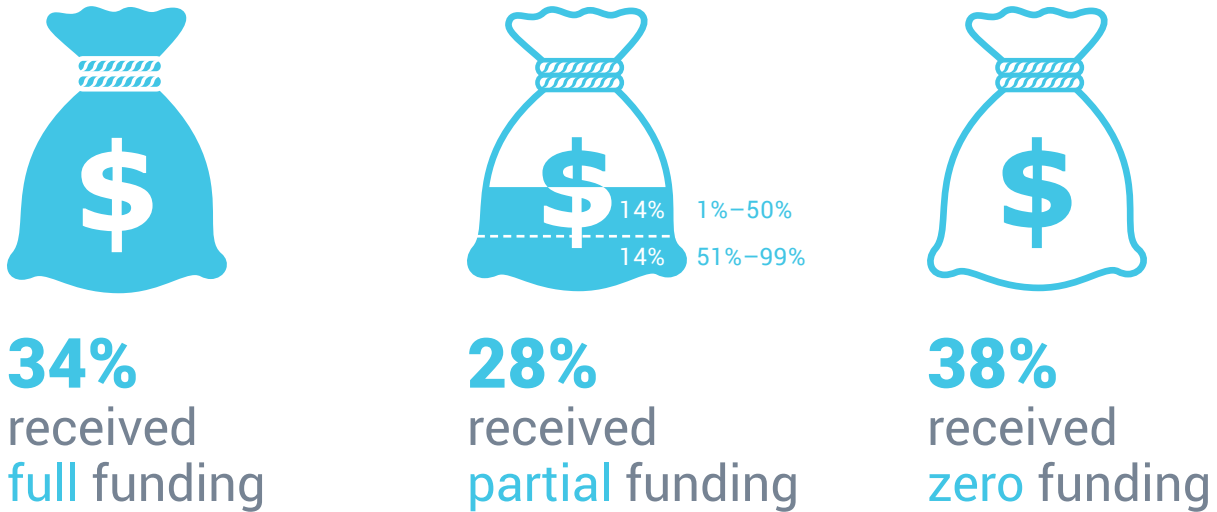
PRIMARY REASON TO APPLY

N=108



CREDIT OUTCOMES OF APPLICANTS

N=108



LIKELY REASONS* FOR PARTIAL FUNDING

N=31

- 19% **Insufficient credit history**
- 19% **Insufficient collateral**
- 19% **Low credit score**
- 18% Weak business performance
- 16% Type of industry

IMPACT OF PARTIAL FUNDING

N=33

- 39% **Used personal sources**
- 29% Delayed/passed on business opportunity
- 26% Downsized operations

LIKELY REASONS* FOR ZERO FUNDING

N=40

- 25% **Low credit score**
- 22% Insufficient credit history
- 20% Weak business performance
- 14% Insufficient collateral

IMPACT OF ZERO FUNDING

N=40

- 47% **Delayed/passed on business opportunity**
- 31% Used personal sources
- 14% Downsized operations

* Respondents could select multiple options. Percentages are based on the share that each choice received.

TRAINING & GROWTH NEEDS

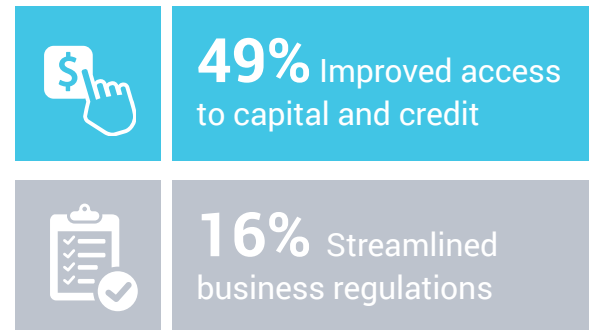
TOP TRAINING NEEDS

N=196



TOP GROWTH NEEDS

N=200



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This report is produced by the Federal Reserve Bank of New York's Communications and Outreach Group, Outreach and Education function. Descriptions of the data, the methodology and other information about the *Federal Reserve Bank of New York Puerto Rico Small Business Survey* are available at:

<https://www.nyfed.org/puertorico>

Other reports also available at the website include:

- *Puerto Rico Small Business Survey 2015*
- *Regional Perspectives on Puerto Rico Small Business 2015*

Authors and contact information:

- Kausar Hamdani, PhD, SVP and Senior Advisor | Kausar.Hamdani@ny.frb.org
- Claire Kramer Mills, PhD, AVP and Community Affairs Officer | Claire.Kramer@ny.frb.org
- Javier Silva, Associate Director | Javier.Silva@ny.frb.org
- Jessica Battisto, Analyst | Jessica.Battisto@ny.frb.org

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