

GROWTH ENTREPRENEURS IN PUERTO RICO

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

Growth entrepreneurs are small businesses that

⇒ **increased employment through more employees or worker-hours, or**

⇒ **increased revenues in the past year.**

In 2015, 28% of Puerto Rico's small businesses met these criteria.

Compared to other small firms, the growth entrepreneurs are larger in size; are more likely to have moved beyond the startup stage; and derive the majority of their revenues from B2B sales.

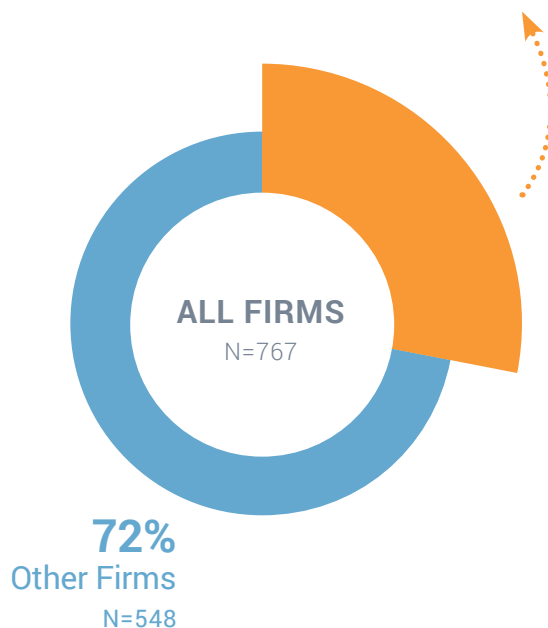
Business performance was also stronger. In addition to adding to employment or increasing annual revenues, the majority were also profitable in 2015.

Credit demand was only somewhat stronger than for other firms, but growth firms were more likely to seek funds for business expansion. Growth entrepreneurs were also more successful in obtaining full funding. And when denied, they turned to alternative sources or personal resources.

The top ranked training need was to expand sales—by internet, exports, or sales to the government; and to manage cash flow.

28%
of PR firms are
Growth Entrepreneurs

N=219



OVERVIEW

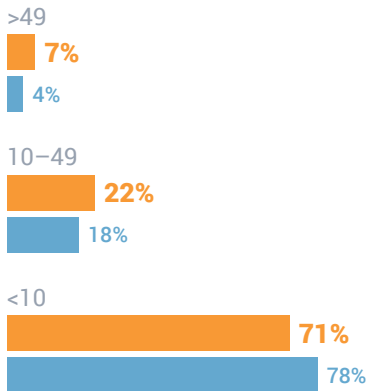


Larger than other firms—both by employees and annual revenues



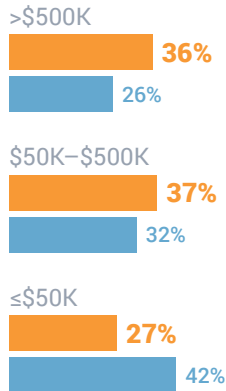
EMPLOYEES

N=219 / N=548



ANNUAL REVENUES

N=219 / N=509



Few are start-ups (≤2 yrs.)



YEARS ESTABLISHED

N=219



TOP BUSINESS CHALLENGE

N=217

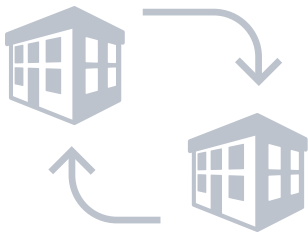
- 42% managing cash flow
- 28% rising business costs
- 12% complying with government regulations
- 7% obtaining credit



BUSINESS PERFORMANCE

SOURCE OF REVENUES

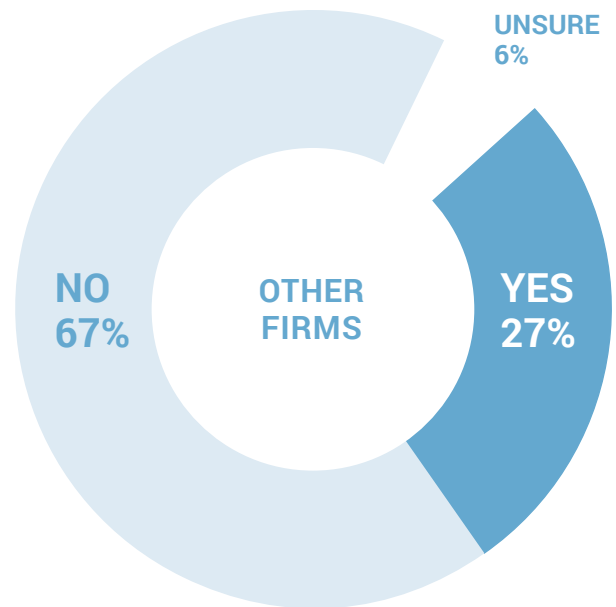
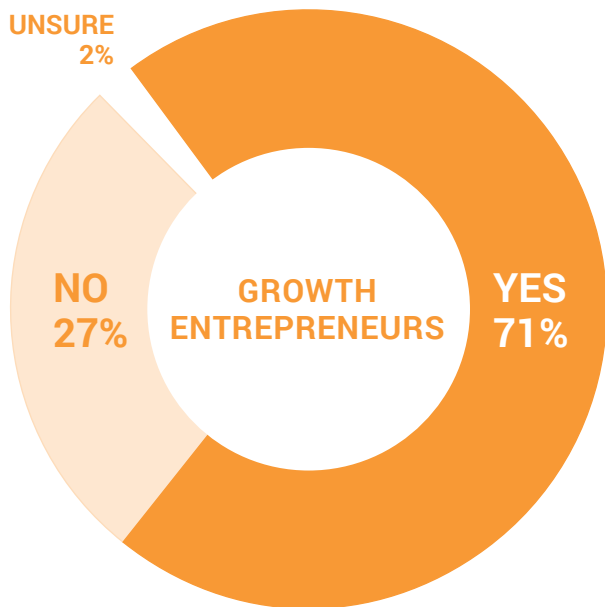
N=219



49%
say primary source of revenues is other firms

WERE YOU PROFITABLE IN 2015?

N=218 / N=462



Stronger performance



CREDIT DEMAND

DID YOU APPLY FOR CREDIT?

N=218 / N=459



YES

59%

of Growth Firms applied



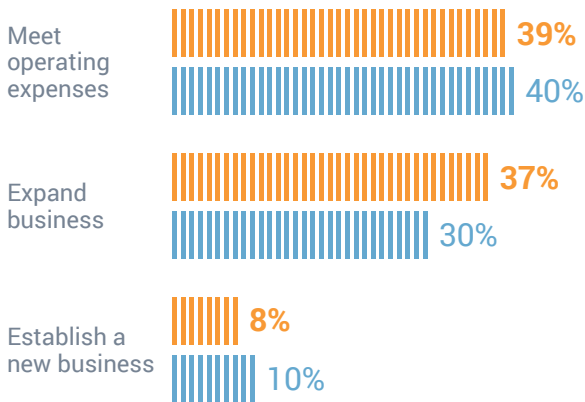
53%

of Other Firms applied

Credit demand is stronger

PRIMARY REASON TO APPLY

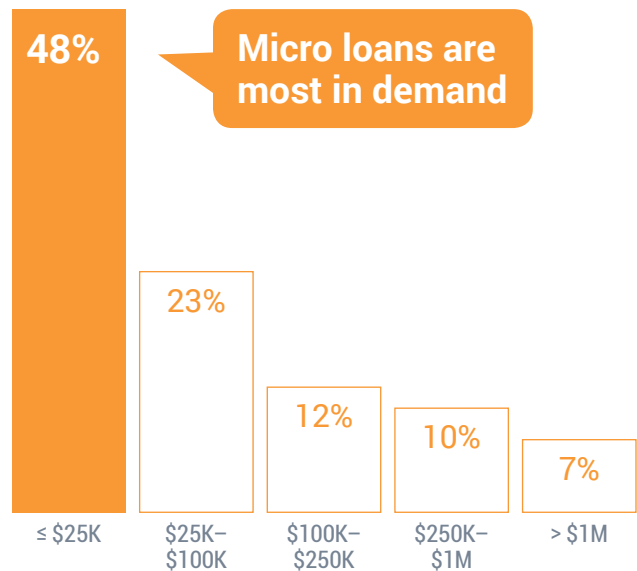
N=129 / N=243



More explicitly growth oriented

AMOUNT APPLIED FOR

N=129



Micro loans are most in demand

Categories have been simplified for readability. Actual categories are: ≤\$25K, \$25,001–\$100K, \$100,001–\$250K, \$250,001–\$1M, >\$1M.



CREDIT OUTCOMES OF APPLICANTS

N=129 / N=242

More successful than other firms



56%

of Growth Firms received full funding

30%

of Other Firms received full funding



25% / 31%
received partial funding

PRIMARY REASONS FOR PARTIAL FUNDING*

N=33

27%
Type of industry

17%
Low credit score

Obtained alternative funding

PRIMARY IMPACT OF PARTIAL FUNDING

N=33

51%
Funded from personal sources

31%
Delayed or passed on opportunity



19% / 39%
received zero funding

PRIMARY REASONS FOR ZERO FUNDING*

N=36

22%
Low credit score

21%
Insufficient collateral

Few deterred by credit denials

PRIMARY IMPACT OF ZERO FUNDING

N=24

38%
Funded from personal sources

32%
Delayed or passed on opportunity

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



NONAPPLICANTS

DID YOU APPLY FOR CREDIT?

N=218 / N=459



NO

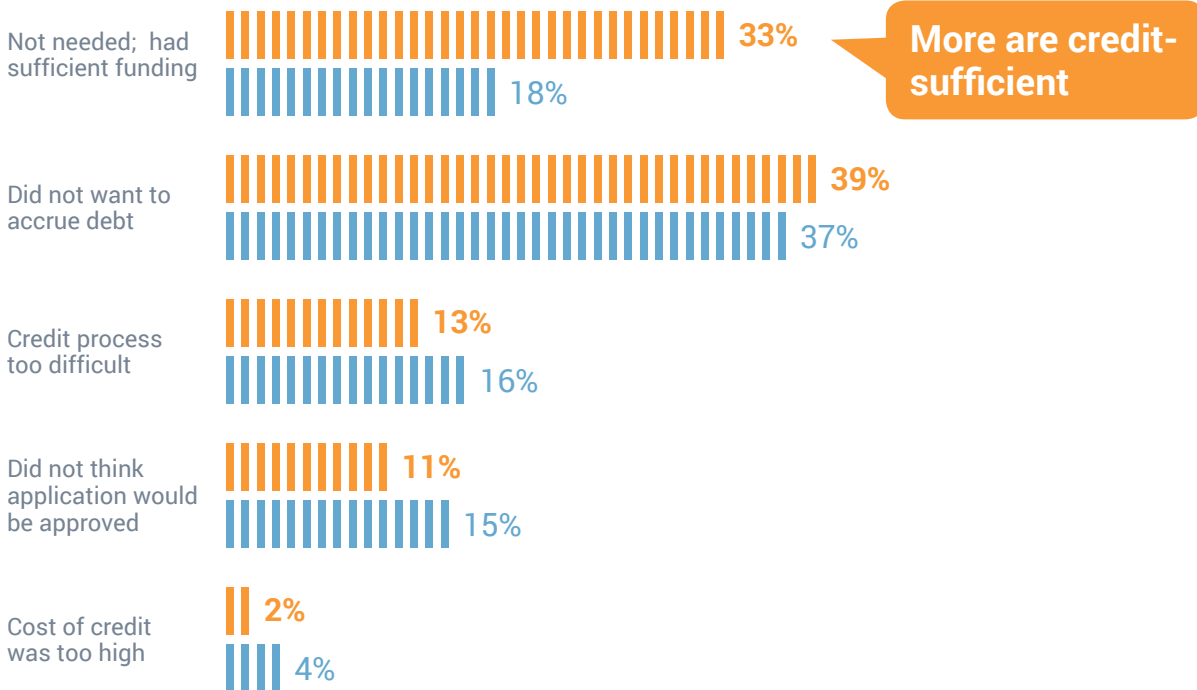
41%
of Growth Firms
did not apply



47%
of Other Firms
did not apply

PRIMARY REASONS NOT TO APPLY

N=89 / N=208



TRAINING & GROWTH NEEDS



	GROWTH ENTREPRENEURS N=212	OTHER FIRMS N=431
Contracts and sales to the federal government	18%	20%
Managing cash flow	17%	12%
Starting or growing exports	16%	15%
Complying with government regulations	12%	14%
Growing internet sales	12%	17%
Automating business processes	11%	6%
Preparing financial statements	7%	8%
Recruiting or managing staff	7%	8%

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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*

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