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—at by internet, exports, or sales to the government; and to manage cash flow.

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

GROWTH ENTREPRENEURS

N=219

28%

of PR firms are Growth Entrepreneurs

ALL FIRMS

N=767

72%

Other Firms

N=548

FEDERAL RESERVE BANK of NEW YORK
GROWTH ENTREPRENEURS IN PUERTO RICO

OVERVIEW

Larger than other firms—both by employees and annual revenues

EMPLOYEES
N=219 / N=548

ANNUAL REVENUES
N=219 / N=509

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

GROWTH ENTREPRENEURS IN PUERTO RICO

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
GROWTH ENTREPRENEURS IN PUERTO RICO

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

Meet operating expenses
39%
Expand business
37%
Establish a new business
8%

AMOUNT APPLIED FOR
N=129

≤ $25K
48%
$25K–$100K
23%
$100K–$250K
12%
$250K–$1M
10%
> $1M
7%

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.

More explicitly growth oriented
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

Obtained alternative funding

25% / 31% received partial funding

Primary reasons for partial funding:
- N=33
- 27% Type of industry
- 17% Low credit score

Primary impact of partial funding:
- N=33
- 51% Funded from personal sources
- 31% Delayed or passed on opportunity

Few deterred by credit denials

19% / 39% received zero funding

Primary reasons for zero funding:
- N=36
- 22% Low credit score
- 21% Insufficient collateral

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.
GROWTH ENTREPRENEURS IN PUERTO RICO

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

Not needed; had sufficient funding

33% 18%

Did not want to accrue debt

39% 37%

Credit process too difficult

13% 16%

Did not think application would be approved

11% 15%

Cost of credit was too high

2% 4%

More are credit-sufficient
## Training & Growth Needs

<table>
<thead>
<tr>
<th></th>
<th>Growth Entrepreneurs</th>
<th>Other Firms</th>
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</thead>
<tbody>
<tr>
<td>Contracts and sales to the federal government</td>
<td>18%</td>
<td>20%</td>
</tr>
<tr>
<td>Managing cash flow</td>
<td>17%</td>
<td>12%</td>
</tr>
<tr>
<td>Starting or growing exports</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Complying with government regulations</td>
<td>12%</td>
<td>14%</td>
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<tr>
<td>Growing internet sales</td>
<td>12%</td>
<td>17%</td>
</tr>
<tr>
<td>Automating business processes</td>
<td>11%</td>
<td>6%</td>
</tr>
<tr>
<td>Preparing financial statements</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td>Recruiting or managing staff</td>
<td>7%</td>
<td>8%</td>
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### Federal Reserve Bank of New York

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](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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