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.

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

85% have two or fewer full-time employees  
N=245

39% have been in business for less than two years  
N=244

47% have consumers as their primary source of revenues  
N=228

TOP BUSINESS CHALLENGE

36% managing cashflow
25% dealing with rising business costs
16% obtaining credit
14% complying with government regulations
BUSINESS PERFORMANCE

PROFITABILITY, 2015*
N=215

- 21% Profits
- 28% Broke even
- 44% Losses

Profitability was challenging in 2015

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

CHANGE IN REVENUES, 2014–2015
N=199

- 19% Increased
- 28% No Change
- 53% Decreased

53% reported decreased annual revenues compared to 2014
PUERTO RICO MICRO-ENTREPRENEURS

CREDIT DEMAND

N=210

NO

47% Did Not Apply

PRIMARY REASON NOT TO APPLY
N=101

<table>
<thead>
<tr>
<th>Reason</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did not want to accrue debt</td>
<td>34%</td>
</tr>
<tr>
<td>Application process was too difficult</td>
<td>18%</td>
</tr>
<tr>
<td>Had sufficient funding</td>
<td>16%</td>
</tr>
<tr>
<td>Did not think application would be approved</td>
<td>15%</td>
</tr>
<tr>
<td>Cost of credit was too high</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>13%</td>
</tr>
</tbody>
</table>

YES

53% Did Apply

PRIMARY REASON TO APPLY
N=108

<table>
<thead>
<tr>
<th>Reason</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expand business</td>
<td>32%</td>
</tr>
<tr>
<td>Meet operating expenses</td>
<td>28%</td>
</tr>
<tr>
<td>Establish a new business</td>
<td>20%</td>
</tr>
<tr>
<td>Refinance or pay down debt</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>12%</td>
</tr>
</tbody>
</table>

Majority applied for small dollar loans ($25,000 or less)
### CREDIT OUTCOMES OF APPLICANTS

N=108

<table>
<thead>
<tr>
<th>34% received full funding</th>
<th>28% received partial funding</th>
<th>38% received zero funding</th>
</tr>
</thead>
</table>

**Likely Reasons* for Partial Funding**

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

**Impact of Partial Funding**

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

**Likely Reasons* for Zero Funding**

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

**Impact of Zero Funding**

- 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.
PUERTO RICO MICRO-ENTREPRENEURS

TRAINING & GROWTH NEEDS

TOP TRAINING NEEDS
N=196

- 22% Growing internet sales
- 16% Contracts/sales to federal government
- 15% Complying with government regulations
- 12% Starting/growing exports

TOP GROWTH NEEDS
N=200

- 49% Improved access to capital and credit
- 16% Streamlined business regulations

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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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