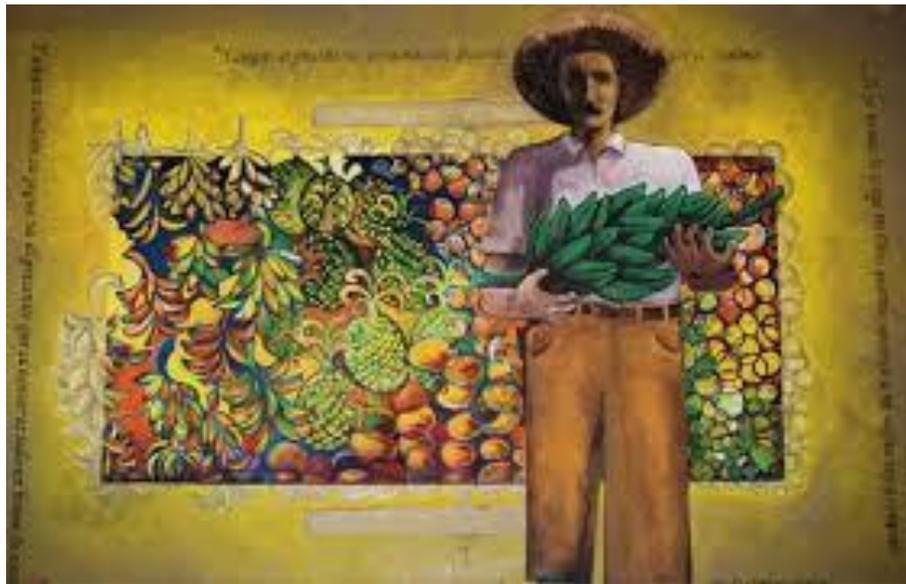


UNIVERSITY OF PUERTO RICO
RIO PIEDRAS CAMPUS
COLLEGE OF BUSINESS ADMINISTRATION
ACCOUNTING DEPARTMENT

‘Placeros’ in Río Piedras: Micro-entrepreneurs’ Profile - 2013



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Plaza de Mercado de Río Piedras Rafael Hernández



Alevántate Petrona,
Junta candela y ardueña
Paque bebamos café:
Que me voy a Río Piedras...

Manuel A. Alonso
(Perico y Petrona)

Executive Summary

This report presents the findings of research on the owners of agricultural stalls of “La Plaza de Mercado de Río Piedras”. It includes the responses to a survey of 80 questions considering variables about the business, the work on the business, proprietorship’s demographics, and proprietorship’s household demographics. The interviews were conducted during October and November of 2013. The ultimate objective of this research is to collect data for at least five consecutive years among the same respondents to create a database of micro-entrepreneurs.

Introduction

Small-scale enterprises play an important role in the economic development, quality of life, and better distribution of income of countries around the world. The most important contributions of these enterprises in the economic area are: development of new entrepreneurs, increased employment and exports, incentives to save and to invest for families (Cabarrouy, 1999), and innovation (Bauchet & Morduch, 2013). For many countries of the developing world micro and small enterprises' (MSEs) activities constitute a working place for as many as a quarter of all people of working age (Mead & Liedholm, 1998).

Puerto Rico is not oblivious of the economic benefits of microenterprises. Governmental and private institutions are supporting the development of micro-entrepreneurs with financial aid and training. Moreover, support and promotion are given to these entities in a hope that they translate into sources for employment and solution for the current economic crisis.

Current literature lack research about micro-entrepreneurship in Puerto Rico, therefore, in order to provide a scientific base for all the efforts discussed before, an instrument was created to profile microentrepreneurs. In this report, the results for the first year of interviews are presented. The ultimate objective of this research is to collect data for at least five consecutive years among the same respondents to create a database.

Next section discusses to whom the survey was addressed. Followed by an explanation on how the survey was conducted. The results are presented after. Lastly, the document presents some concluding remarks.

DEFINING WHO

"Micro and small enterprises are defined as income-generating activities other than primary production which employ 50 or fewer workers. Home-based enterprises are included as long as at least half of the output is marketed. Within the MSE category,

microenterprises are those with ten or fewer workers; small enterprises range in size from 11 to 50" (McPherson, 1996).

The number of workers in microenterprises varies by countries, and sometimes, the number varies by industries. In Puerto Rico, Law 152 (October 19, 2010) establishes the classification of microenterprises, which are entities with up to seven employees and maximum annual gross sales of \$500,000. The law also expresses the public policy for development of these entities, which at that time did not have any incentives.

The starting point of this project were the agricultural stalls at "La Plaza de Mercado de Río Piedras". Not only these businesses are clearly microenterprises by definition as all of them employ less than seven paid employee. But also, they are part of a positive growth trend as reported by the Department of Agriculture of Puerto Rico. Lastly, the convenience of being walking distance from the University made them the perfect sample.

According to statistics of the Department of Agriculture of Puerto Rico (2011), for 2009/10 in comparison with 2008/09, the two biggest agricultural businesses in Puerto Rico, milk and coffee, had reported a negative growth rate. By contrast, the highest growth rate (1.86 percent) is presented for the farinaceous group, followed by the ornamental plants' sector.

Therefore, the businesses that were selected for this research must have less than seven paid employees, and should be selling one or more of the products in the following categories: farinaceous¹, fruits², vegetables³, flowers, or raw meat (definitions taken from the Department of Agriculture)⁸.

ESTABLISHING HOW

After an extensive literature review a questionnaire was developed. The final instrument has 80 questions divided in four areas: 1) about the business, 2) about the

¹ Farinaceous include: yams, bananas, malangas, ñames, green bananas, yautías, yucas, apio, and panapén.

² Fruits include: avocados, oranges, "cidras", coconuts, honey dew, watermelons, pineapples, papayas, mangos, and passion fruits.

³ Vegetables include: pumpkin, peppers, cucumbers, cabbage, tomatoes, "gandules", and onions.

work on the business, 3) proprietorship's demographics, and 4) proprietorship's household demographics.⁴ The survey considers all the important variables of the literature, such as demographics of the owners and businesses, finance sources, time dedicated to the business (full time vs. part time job), competition, goals (short and long term), level of informality, among others.⁵

The responses were obtained using the questionnaire through personal interviews. The sample was by convenience and willingness of the owners to answer the instrument. The instrument was the guide for the interviews with the owners. The interviewer was the one answering the instrument, and not the owner. This methodology provided a better response rate. In addition, it allowed the interviewer to further explain any question to the participant.

The researcher or one of her two research assistants interviewed the owners of the stalls during the morning hours of October and November 2013, between 9:00 a.m. and 11:30 a.m. On average an interview lasted about 25 minutes. Sometimes the interview last longer if the owner had to take care of a client.

The population of interest in "La Plaza de Mercado de Río Piedras" consist of 26 stalls. We were able to interview and code 17 questionnaires. Therefore, the response rate for the study is 65%.

Table 1. Sample – type of businesses

Farinaceous, fruits and vegetables	76.4%
Flowers	5.9%
Meat	17.7%

RESULTS

About owners...

Generally speaking, the owner of the stalls in "La Plaza de Río Piedras" is a mature Puerto Rican or Dominican man (average age is 58 years), with no education

⁴ The questionnaire is available upon request from the author.

⁵ The questionnaire was pilot tested with three microentrepreneurs. After this first trial, some questions were added to the instrument and for others questions the vocabulary was modified.

beyond high school or technical preparation, had worked for others sometime in his lifetime, do not have medical insurance, but is paying social security, is married, and owns his own house (average of 2.65 rooms). Table 2 summarizes the demographic characteristics of the sample.

Table 2. Demographic characteristics

Gender		
	Male	88.2%
	Female	11.8%
Age		
	Average	58 years
	Maximum	84 years
	Minimum	41 years
Education		
	Less than high school	41.2%
	High school	58.8%
	Higher degrees ¹	0%
Other education²		
	Computing	5.9%
	Technical	5.9%
	Other	29.4%
	None	58.8%
Marital status³		
	Single	29.4%
	Married	58.8%
	Separated	11.8%
Head of household		
	Yes	82.4%
	No	17.6%
Nationality		
	Puerto Rican	50%
	Dominican	50%

Notes: ¹ Higher degrees included: bachelors, masters or doctorate. ² Other available alternatives included in the questionnaire were: science, administration, and crafts. ³ Other available alternatives included: divorced and living together.

Based on these results, one can say that stalls in “La Plaza del Mercado de Río Piedras” are owned by men as only 11.8% of the businesses are owned by females. Despite this fact, the impression that one gets as a visitor of the premises is not this reality, as a big group of women are servicing the clients.

The average age of owners of the stands is quite high, 58 years. The younger owner has 41 years old and the older 84 years. Although the sample is equally divided between both nationalities, the average age of Puerto Ricans is higher (65 years) compared with the average age of Dominican respondents (52 years). The difference between mean ages is statistically significant at a 99% level.⁶

The majority of the owners (58.8%) have a high school diploma. The rest of the sample (41.2%) reported having some schooling, but never finished high school. The other higher degrees (bachelors, master, and doctorate), available in the questionnaire, did not receive any response.

Another common characteristic of the respondents is the lack of any other education (technical, sciences, administration, or craft), 58.8% reported having no additional course. The other courses that were mentioned by the respondents (29.4% of the sample) were food managing, typing, plumbing, and emergency medical technician.

Fifty-eight percent of the respondents are married, where the other 41.2% is single or separated. Moreover, the bulk of them (82.4%) is the head of the household.

Figure 1 presents the results for other characteristics of the owners related to the social security, medical insurance, and former employment. Most of the respondents are paying social security, 52.9%; however, the majority does not have medical insurance (64.7%). Given the age distribution of the sample, several of the interviewees reported that, at the moment, they are paying and receiving social security benefits. More than half of the owners (52.9%) worked as employee before having the stand with an average tenure of 9 years.

⁶ A one-way ANOVA variance test was conducted to determine whether the means differences were statistically significant.

Figure 1. Other characteristics of the owners

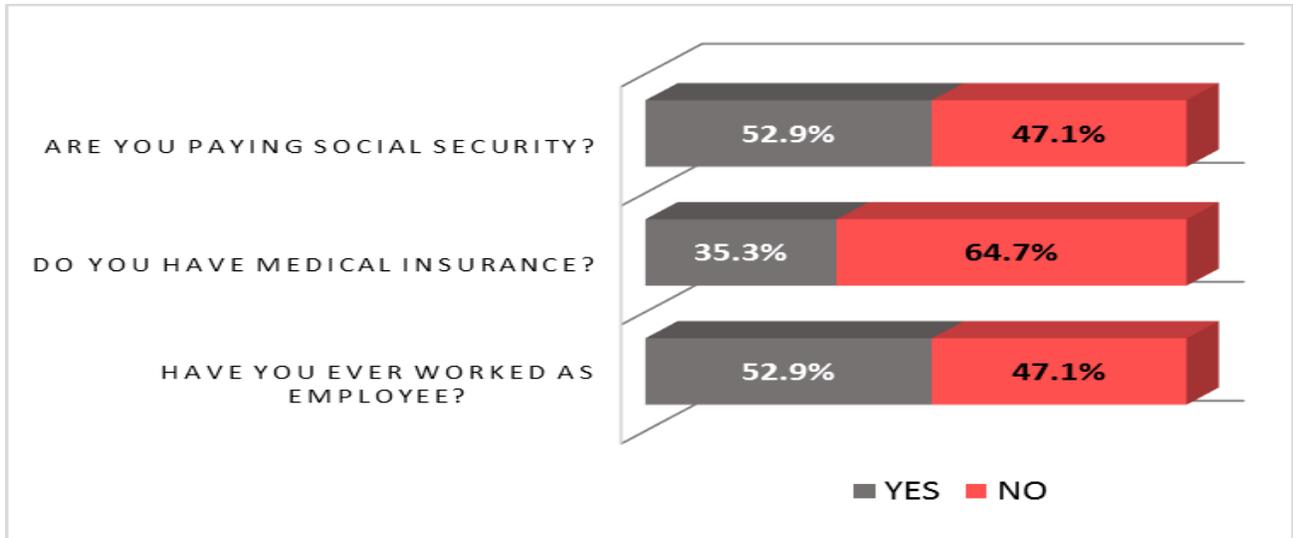


Figure 2 presents the results of the owners' parents' career status. For most of the sample (88.2%), their father was self-employed, where as for 11.8% of the sample the father was employed by others. Many of the Puerto Rican fathers were the original owners of the stands in "La Plaza". None of the respondents reported that their fathers were unemployed. These results contrast with the mothers' career status were 88.2% were unemployed, 11.8% were self-employed, and none were employed by others.

Figure 2. Parents' career status

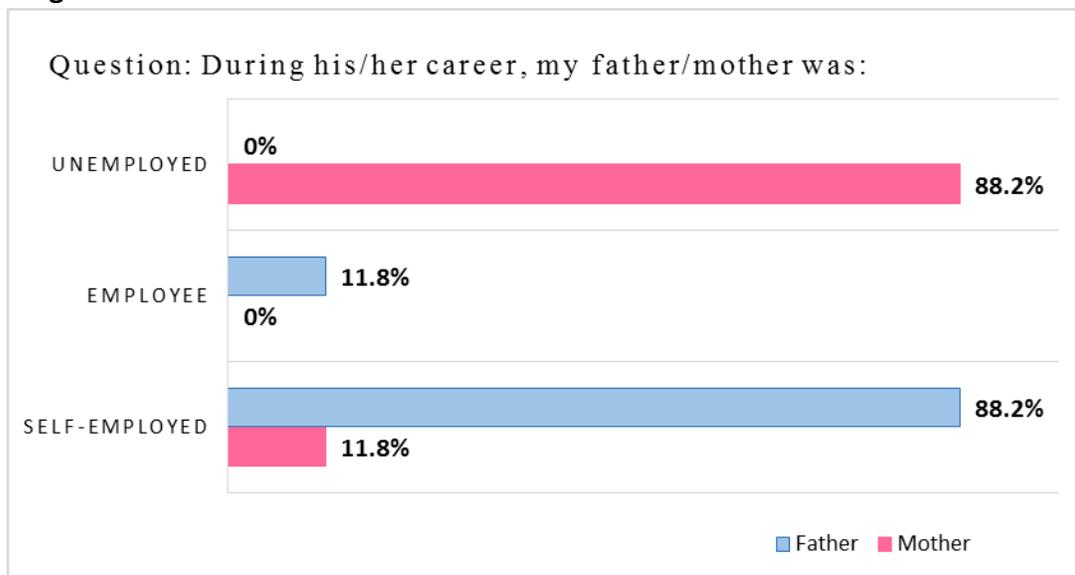


Table 3 presents the results for the proprietors' household demographics. In general, the "placeros" own their houses (58.8%), do not have children living with them (82.4%), lives in three bedrooms houses, generates an average of \$1,282 monthly income, and have the resources to buy medicines or receive healthcare (47.1%).

Table 3. Household demographics

# of children living with the respondent under 12 years of age	0	82.4%
	1	11.8%
	2	5.9%
Average number of bedrooms in the respondent's household		3
Do you own your house?	Yes	58.8%
	No	41.2%
Average monthly income of the household		\$1,282
Availability of resources to buy medicines or receive healthcare	Never	5.9%
	Only in the case of emergencies	35.3%
	Occasionally	11.8%
	Always	47.1%

About the business

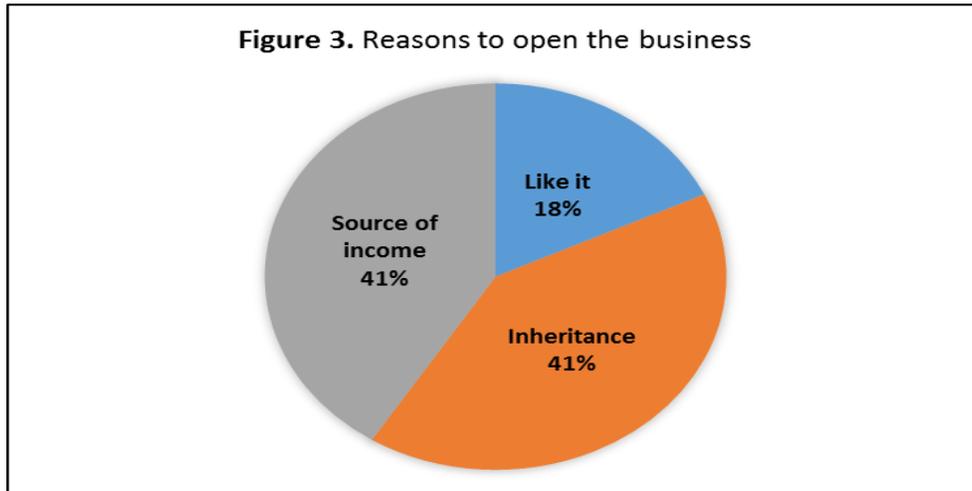
In general, the stalls in "La Plaza de Mercado" are the primary activity for generating income for the respondents. The owners work on the business all the year, and the business has been around for a long time.

A hundred percent of the sample works in the business full time; they did not have any other paying job. The average time the respondents have worked in the stalls is 31 years; the maximum amount reported is 73 years, and the minimum is five months.

The tenure of the businesses varies with the owners' nationality. Puerto Ricans have had the businesses 32 years or more, whereas the Dominicans 30 years or less. The average tenure of Puerto Rican owners is 52 years, and the average Dominican tenure is 16 years. The difference between average tenure is statistically significant at a 99% level.⁷

⁷ A one-way ANOVA variance test was conducted to determine whether the means differences are statistically significant.

There are three reasons of why current owners have their stall in Río Piedras: inheritance (41%), as a source of income (41%), or because they like it (18%). The reasons vary by nationality. All the Puerto Rican owners have inherited their stalls.



As an interesting note is that several of the respondents maintained another paying job during their professional lives. One of the oldest and well known owners had a career as paramedic. Back then, he used to work both jobs. He inherited the stall from his father, which was one of the original owners. Nowadays he is “enjoying life” and earning a double income: one from his retirement pension and another from the income of the stall. He does not manage the business directly, because he has employees and his wife to take care of the clients. However, he is around “La Plaza” all the time. As a matter of fact, the times the researcher visited the premises he was walking around and chatting with the people.

About the work in the business

Table 4 presents the results for some of the variables related to working in the business of “La Plaza del Mercado de Río Piedras”. Overall, the owners open their kiosk 28 days monthly, work around 12 hours daily, generate less than \$100 weekly, have no employees, use the income of the business as a source of working capital, do not had an initial business plan or pay for accounting services.

Table 4. Working the business

Average number of working days	28 days monthly
Average number of hours	11.5 hours daily 322 hours monthly
Weekly income	
Less than \$100	68.8%
Between \$101 and \$500	25%
Between \$501 and \$1,000	6.2%
Higher than \$1,001	0%
Paid employees	
0	82.4%
1	5.9%
2	11.8%
Unpaid help	
0	64.7%
1	35.3%
Value of inventory (mean)	\$1,176
Sources of working capital	
Personal savings	35.3%
Income from business	64.7%
Had an initial business plan	
Yes	23.5%
No	76.5%
Pay for accounting services	
Yes	33.3%
No	66.7%

Stands in “La Plaza” regularly open 28 days monthly, and their owners works an average of 12 hours daily. Some shops open seven days a week every day of the month. Some of the respondents work up to 14 hours a day, 24% of the sample.

The working day of an owner starts very early, some owners said around 4:00 a.m., to buy the inventory. All the owners buy from local farmers that come directly to the Plaza to sell their products. The only exceptions, to this practice are the meat and

flower stalls that buy from other suppliers that not necessarily come to deliver their goods. Nevertheless, the meat and flowers are bought also to local distributors.

The weekly income, indicated by the owners, range from less than \$100 (68.8%) to up to \$500 (25%). There was a case that reported a weekly income higher than \$500. All the businesses report the income to the government, paid taxes and has all the permits to operate. The city government verifies that all the necessary permits are filed before renewing the leases. In addition, random visits of authorities might occur at any point in time, as expressed by some of the owners. The researcher could attest that all the stalls had their permits, and IVU's terminals⁸ easily visible.

One argument that was discussed by the owners is the unfair competition that they face with street vendors in Río Piedras. The argument is that these vendors do not have to pay any permit nor have to report sales to the government, but are selling the same products as the Placeros, sometimes cheaper. The owners of stalls are asking for more regulations for these street vendors in an effort to equalize the conditions of doing business in Río Piedras.

The average value of the inventory in the stalls, as reported by the owners, is \$1,176. This value varies from a low \$200 to a high \$4,000. Despite, this discrepancy in the value of the inventory, the researcher observed that all stands has the same type of products, but the condition of the goods might be different (i.e. some have more rotten fruits or vegetables than others). In addition, the quantity of inventory varies by stand due to the dimensions of the available space.⁹

The owners agree that the way they determine their prices depend on how much the merchandise cost. Some add that sometimes the price needs to be adjusted because of the condition of the product and the competition.

Sales or income from the business is the mainly source to manage the business, as reported by 64.7%. In some other cases, 35.3%, personal savings are used to fund the daily operations. The questionnaire includes a series of questions about business loans

⁸ IVU stands for "Impuesto de Ventas y Uso"; Puerto Rico's sales and use tax. Merchants use a terminal to inform each sale to Hacienda.

⁹ There are only two available types of sizes.

to explore micro-financing variables. However, none of the respondents had a loan at this moment.

Credit is given in an informal manner. When asked about whether they provide credit, some owners explained that they might give the merchandise to people they know, but they do not keep a formal register of those transactions. Moreover, they do not pay attention in collecting the money, as it is usually a minimal amount. As one owner stated, “if somebody needs something and does not have the money, I give it to them, if they pay back, good, if not, well, God knows better...”

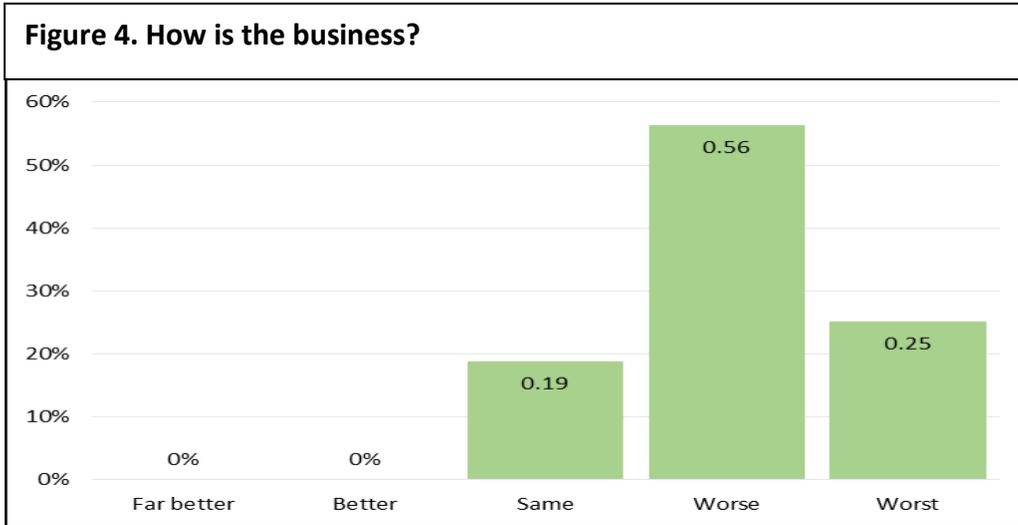
In general, the stalls in Río Piedras are managed and serviced by the same owners, as 82.4% of the sample has no paid employees and 64.7% of the sample has no unpaid help. For those businesses that have some help (35.3%) a family member is the one doing the work.

According to the interviewees, the customer service is the key of success for any business of this type. Not only was this the main reason mentioned as key characteristic of a successful owner, but also the second most important trait to look in an employee.¹⁰ The owners reported that the most important characteristic in an employee is honesty.

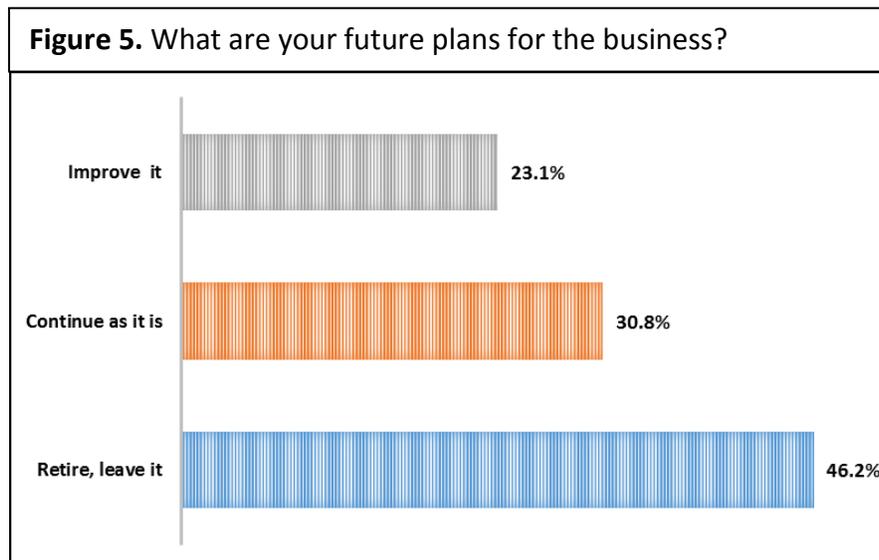
The majority of the owners (76.5%) did not have a business plan when they decide to open their businesses. This result is not surprising as the majority of these businesses have been opened for more than 30 years. In addition, 66.7% of the sample does not pay for accounting services because is done by the same owner or a family member.

Figure 4 shows the results of how the respondents feel about the operating condition of their businesses compared to the previous year. For almost every owner (81%), the operating conditions of the stalls are worse or worst than previous year. For only 19% the conditions are the same. Furthermore, 82.4% of the sample responded that the economic situation of the business is not better than two years ago.

¹⁰ Although the majority of the sample has no employees, the questionnaire asked about what trait or traits an employee should have if they owner decided to hire somebody.

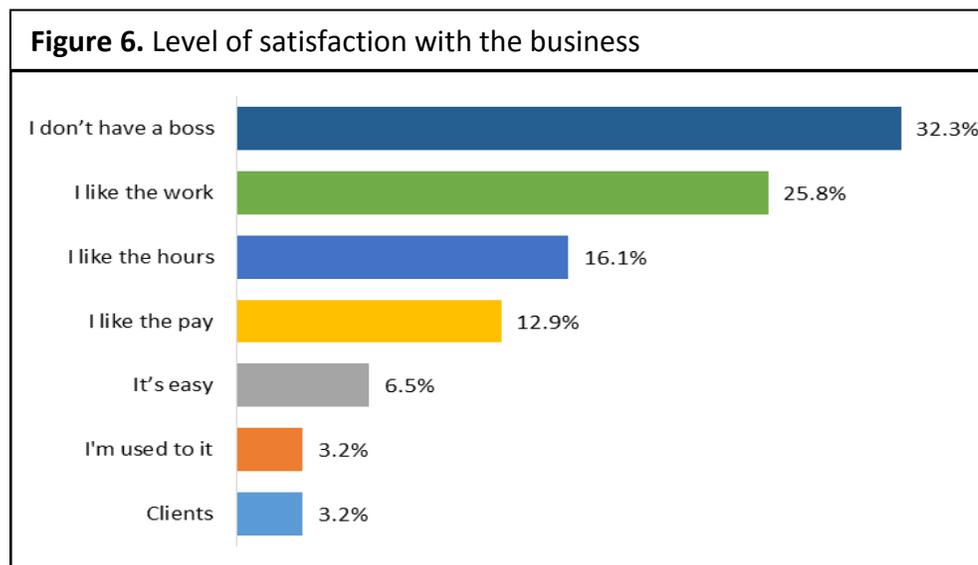


The previous results translate into the future plans that the owners have with their business, as Figure 5 shows below. Only a small part of the sample, 23.1%, plans to improve what they currently have. Even one of the respondents wants to acquire another kiosk. The majority either wants to continue as it is (30.8%) or leave it to somebody or retire from it (46.2%).



Despite the financial difficulties or economic situation that the owners are facing, they like their job. The survey included the question: *Would you prefer another job if you could earn the same amount of money as now?* The majority would not change their job, 76.5%. Only 23.5% of the owners would prefer another job if they could earn the same amount of money as now. To these persons, we ask which job would they like. The answers included: beautician, security guard, and engineer.

Finally, the level of satisfaction with the business as a whole was explored. The vast majority of the survey, 70.6%, expressed that they were satisfied, whereas 29.4% said no. Figure 6 presents the reasons of why respondents are satisfied with their businesses, ranked in order. The main reason is that they do not have a boss, followed closely by “I like the work”. Then, the other reasons were the schedule, the pay, I am used to it, and the clients.



For those who were not satisfied with the business, the reasons were: the pay, the economic situation, and unfair competition from big chains and supermarkets. According to one of the owners, their sales had dropped significantly after the big chains (i.e. Wal-mart) and supermarkets began selling the same products as they do. Moreover, the economic situation has worsened with the installation of parking meters in Río Piedras. “Clients prefer to go to supermarkets where they will find the same products with ample free parking”.

CONCLUDING REMARKS

This reports profiles the owners of agricultural stalls of “La Plaza de Mercado de Río Piedras”. The results is an initial attempt to create a database of Puerto Rican microentreprenuers. The population of interest was defined as businesses with less than seven paid employees, and should be selling one or more of the products in the following categories: farinaceous, fruits, vegetables, flowers, or raw meat. The sample included 17 questionnaires for a response rate for the study of 65%.

The responses were obtained using an instrument of 80 questions through personal interviews. The survey include four areas about the business, the daily work on the business, the owner and his/her household. The sample was by convenience and willingness of the owners to participate. The data was collected during the morning hours of October and November 2013.

In general, stalls in “La Plaza de Río Piedras” are owned by mature, married, men, either Puerto Rican or Dominican, with no education beyond high school. The “placeros” work in their businesses as their primary activity to generate income, and work on it all year long. The kiosks has been around for a long time, and inheritance is one of the main reasons to having the business, as far for the Puerto Ricans.

The stalls are open almost every day of the year, and the owners work around 12 hours daily. All the products that are sold come from local farmers that daily come to Río Piedras to deliver them. The owners’ economic perspective about the businesses is that worse than before, and their future vision for their businesses is pessimistic.

The results of this report provide an initial overview of an interesting sector of the Puerto Rican economy unexplored up to date. It is necessary the uninterrupted search to better know and understand these people and their necessities in order to help them and avoid their extinction.

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