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Small and Medium-Sized Entrepreneurs Face Growing Labor Challenges, Credit Crunch & Evaporating Confidence

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SME's Confidence Evaporating

Some people say that Experience is the best teacher, and this is wrong, the best teacher is the Evaluation after Experience, and with that "pie forzao", I wish to address this important survey and its findings. According to a recent survey of 1,740 business owners in 48 states and Puerto Rico, of participants in the **Goldman Sachs & Babson College 10,000 Small Business program** found that the confidence of small and medium-sized business owners, or SMEs, says their ability to access capital has taken a 180-degree turn. **77% of SMEs say they are concerned about their ability to access capital, whereas just a year ago, 77% were confident they could easily access capital.**

Why is this crucial?

Small and medium-sized enterprises (SMEs) are a vital component of the economy in both the United States and Puerto Rico. **In the United States, SMEs account for more than 99% of all businesses and employ nearly half of the private workforce.** In addition, SMEs are responsible for the creation of 60-80% of new jobs each year in the United States, making them a key driver of economic growth and innovation.

In Puerto Rico, SMEs also play a key role in the economy. Although the island has experienced a number of economic challenges in recent years, SMEs continue to be an important engine of growth and employment. **According to the Puerto Rico Department of Economic Development and Commerce, SMEs account for more than 98% of all businesses on the island and employ more than 70% of the workforce.**

In addition to their importance in terms of job creation, SMEs are also important drivers of innovation and competitiveness. Many of these companies are highly specialized and can be more agile and flexible than large corporations, allowing them to adapt quickly to market demands and develop innovative solutions to commercial and social problems.

In summary, SMEs are a key component of both the U.S. and Puerto Rico economies, and their success and growth are essential to the economic and social future of all.

Access to capital is essential to the success of any business.

The easy access to capital for SMEs is the fuel that allows business to grow in the United States and Puerto Rico is critical; let's look at the most important reasons:

1. **Financing for growth:** SMEs need capital to expand and grow. This can include hiring more employees, investing in technology and equipment, expanding geographically, and developing new products or services. Access to capital allows SMEs to finance these initiatives and achieve their growth objectives. According to a survey by the National Small Business Association, 68% of small businesses need financing to fund growth opportunities. Without sufficient funding, SMEs may not be able to invest in these opportunities and can struggle to remain competitive.
2. **Maintaining operations:** SMEs also need capital to keep their operations running. This may include paying salaries, paying bills, and maintaining inventory. If an SME does not have access to capital, it may face financial difficulties and be unable to meet its obligations. A study by the Federal Reserve Bank of New York found that small businesses that received loans saw an average increase in revenue of \$143,000 over two years.
3. **Competing with larger companies:** SMEs often compete with larger companies in their industry. Larger companies may have more resources and capital at their disposal, allowing them to invest in advertising, research and development, and other initiatives that SMEs cannot afford. Access to capital can help SMEs compete on a level playing field.
4. **Job Creation:** SMEs are an essential source of employment in the United States and Puerto Rico. Access to capital allows SMEs to expand and hire more employees, boosting the local economy. The National Small Business Association, 44% of small businesses need financing to hire employees.

In conclusion, access to capital is essential for the growth and development of SMEs both in the US and Puerto Rico. By investing in growth opportunities, innovation, talent, and increasing revenue and profits, SMEs can achieve long-term success. The data and metrics presented in this response demonstrate the importance of access to capital for SMEs, and why it is the fuel for growth.

What does the survey tell us, and what are the concerns?

The Goldman Sachs & Babson College 10,000 Small Business program survey, of which I am an Ambassador, found that High-interest rates and tightening lending conditions are hurting the ability of SMEs to access capital and grow their business. Let's examine the results:

- **77% of SMEs** are concerned about their **ability to access capital**.
- **17% of SMEs** have applied for a new business loan in the last three months.
- **61% of SMEs find it difficult** to access affordable capital.
- **60% of SMEs** stated that rising interest rates affect their ability to service their debt.
- **9% of SMEs** transferred their bank deposits due to the failure of Silicon Valley Bank and other lost banks.

- **65% of SMEs** say they will be negatively affected if Congress does not raise the U.S. Debt Ceiling.
- **90% of SMEs** consider it essential that the U.S. Federal Government does not default on its debt.
- **81% of SMEs** respondents say it is essential that Congress enact spending cuts along with raising the debt limit.
- **44% of SMEs** say the economy is worse off than last quarter.
- **48% of SMEs** report lower profits than pre-pandemic levels.
- **10% of SMEs** have been forced to lay off employees in the last 90 days.
- **59% of SMEs** are hiring full- or part-time employees.
- **79% of hiring SMEs** find it challenging to find qualified candidates for vacant positions.
- **80% of SMEs** believe that access to childcare is an obstacle to labor force participation.
- **80% of SMEs** support measures to increase access to affordable childcare.

What's the bottom line?

The findings of the **Goldman Sachs & Babson College 10,000 Small Business program survey are a cause for concern for the small and medium-sized enterprises (SMEs) that form the backbone of our economy.**

The fact that high-interest rates and tightening lending conditions are making it difficult for these businesses to access capital is a significant barrier to their growth and success.

Small businesses are the engines of job creation and economic growth in our communities, but they face unique challenges when it comes to financing their operations. Without access to affordable capital, SMEs are unable to invest in new equipment, expand their facilities, or hire additional staff. This lack of investment can ultimately lead to lower productivity, reduced profitability, and even business failure.

Furthermore, high-interest rates and tightening lending conditions can create a vicious cycle of debt for small businesses. When they are unable to secure loans with favorable terms, SMEs may have to resort to high-interest rate loans or credit cards, which can be difficult to repay. This can lead to a downward spiral of mounting debt, missed payments, and damaged credit scores, making it even harder to access future financing.

It is essential for policymakers and financial institutions to recognize the critical role that SMEs play in our economy and take steps to support their growth and success. This can include initiatives such as providing tax incentives for small business investment, streamlining loan application processes, and developing innovative financing solutions that meet the unique needs of SMEs.

As concerned citizens, it is our responsibility to advocate for policies and programs that support the growth and success of SMEs. We can urge our elected officials to prioritize small business financing

and work with financial institutions to develop innovative solutions that meet the unique needs of SMEs.

We can also support small businesses directly by choosing to shop locally, promoting small businesses on social media, and volunteering our time and expertise to help entrepreneurs succeed.

Together, we can create a more supportive environment for SMEs to access capital and grow their businesses, leading to a stronger, more resilient economy for all. Let's take action today to support our small business community and ensure a brighter future for all.

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