



## 1997 SMALL BUSINESS PROFILE

### SMALL BUSINESS: BACKBONE OF THE ALABAMA ECONOMY

The importance of small business to the state of Alabama is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

**Number of Businesses** - In 1996, Alabama had 85,797 businesses with employees; 97.5 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 128,000 self-employed persons in 1996, for an estimated total of 213,797 businesses.

**Small Business Income** - The income of sole proprietors and partners rose 6.1 percent to \$5.3 billion in 1996, while wage-and-salary income rose 4.6 percent. Total personal income rose 4.7 percent to \$53.4 billion. The state also exported \$3.7 billion of goods in 1996.

**Minority Businesses** - According to The National Foundation for Women Business Owners, as of 1996, there were 98,200 women-owned businesses in Alabama, including part-time firms, employing 230,600 people and generating \$26.5 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 87.9 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 45.8 percent from 1987 to 1992, totaling 14,707 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 159.2 percent during the same time period with 1,029 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 1,007 in 1987, to 1,777 in 1992, representing a 76.5 percent increase.

**Business Turnover** - The number of new firms increased 20.0 percent, while there was no change in the number of new business incorporations between 1995 and 1996. Financial difficulties leading to

business bankruptcies decreased by 3.0 percent and business failures decreased by 1.6 percent during 1996.

**Finance** - An SBA Office of Advocacy study found that the number of banks in Alabama decreased from 211 in 1994 to 184 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
BANKERS TR OF MADISON	Madison
BANK OF DADEVILLE	Dadeville
INDEPENDENT BK OXFORD	Oxford
WEST AL B&TC	Reform
CB&T BK OF RUSSELL CTY	Phenix City
PEOPLES B&TC	Selma
HOME BK	Guntersville
FIRST NB OF WETUMPKA	Wetumpka
EXCHANGE BK OF AL	Altoona
FIRST CMRL BK	Birmingham
COMPASS BK	Birmingham
FIRST AL BK	Birmingham
SOUTHTRUST BK OF AL NA	Birmingham

**Job Growth** - Small businesses (<500 employees) created all of the net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 73.3 percent of the small business growth. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	67,412	43,601	28,391	12,112	(46,756)	104,759
Manufacturing	1,706	4,032	5,455	437	(35,184)	(23,552)
Retail Trade	13,407	7,963	5,827	3,963	(8,130)	23,030
Services	36,806	21,280	10,129	13,249	(2,577)	78,887
Other	15,492	10,325	6,980	(5,537)	(866)	26,394

Note: Details may not add to totals due to rounding.

**Industries** - The composition of small business in Alabama is very diverse. The Health Services industry is the largest small business employer in Alabama, followed by Eating & Drinking Places. The fastest growing industry for small business is Water Transportation (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in Alabama by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	1,478,704	100.0	50.2
Health Services	8000	174,921	11.8	37.2
Eating & Drinking Places	5800	98,032	6.6	56.3
Business Services	7300	68,860	4.7	51.6
Food Stores	5400	55,027	3.7	40.2
Wholesale Trade - Durable Goods	5000	53,073	3.6	77.5

Table 2, Top Five Small Business Industries in Alabama by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	741,727	100.0	50.2
Health Services	8000	65,150	11.8	37.2
Eating & Drinking Places	5800	55,230	6.6	56.3
Special Trade Contractors	1700	43,799	3.2	93.6
Wholesale Trade - Durable Goods	5000	41,110	3.6	77.5
Membership Organizations	8600	35,914	2.5	97.0

Table 3, Fastest Growing Industries for Small Business in Alabama, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	726,361	741,727	15,366	2.1
Water Transportation	1,243	1,876	633	50.9
Primary Metal Industries	5,818	7,247	1,429	24.6
Food & Kindred Products	5,529	6,675	1,146	20.7
Nondepository Credit Institutions	1,666	1,943	277	16.6
Educational Services	10,420	11,682	1,262	12.1

**Sources:** Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.

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