



1999 SMALL BUSINESS PROFILE: CALIFORNIA

By any measure, small businesses are critical to the economic well-being of California. They create new businesses (and the new jobs that go with them); bring new and innovative services and products to the marketplace; and provide business ownership opportunities to diverse (and traditionally underrepresented) groups. These contributions are clearly established in the statistical portrait contained in this *Small Business Profile* compiled by the U.S. Small Business Administration's Office of Advocacy.

Number of Businesses. In 1998 the state had 881,400 businesses with employees, of which 99 percent were small businesses (fewer than 500 employees). The number of small businesses with employees increased by 5.2 percent from 837,800 in 1997. There were 1,582,000 self-employed persons in 1998. While there is some overlap between these two groups (firms with employees and self-employed persons), a rough calculation puts the total number of businesses at 2,463,400. (Sources: U.S. Dept. of Labor, Employment and Training Administration; U.S. Dept. of Commerce, Bureau of the Census; U.S. Dept. of Labor, Bureau of Labor Statistics)

Women-Owned Businesses. There were 561,000 self-employed women in 1998, representing 35.5 percent of total self-employment in the state. (Source: U.S. Dept. of Labor, Bureau of Labor Statistics)

Minority-Owned Businesses. According to the latest figures available, there were 541,400 minority-owned businesses in 1992, including 69,900 Black-owned businesses; 249,700 Hispanic-owned firms; and 232,700 firms owned by Asians, Pacific Islanders, American Indians, and Alaskan Natives. (Data may not add to the total because an owner may be a member of more than one minority group.) Of these businesses, 89,200 had employees, with employment totaling 541,300. (Source: U.S. Dept. of Commerce, Bureau of the Census)

Business Turnover. In 1998, 158,600 new employer firms were formed, 3.4 percent more than the number formed in 1997. There were 117,400 business terminations in 1998, a 0.2 percent increase from 1997. Business bankruptcies totaled 8,500 in 1998, a 23.3 percent decrease from 1997. (Sources: U.S. Dept. of Labor, Employment and Training Administration; Administrative Office of the U.S. Courts; U.S. Dept. of Commerce, Bureau of the Census)

Employment. In 1996, businesses with fewer than 500 employees accounted for 6,034,700 employees, or 54.2 percent of the state's 11,131,100 private-sector non-farm employment. Small-business employment was concentrated in the following sectors: agricultural services, construction, and wholesale trade (see Table 1). Small businesses added a net total of 209,200 employees between 1995 and 1996, accounting for all private non-farm employment growth in the state (see Table 2). The industries with the largest percent increases in employment among small businesses were: auto repair, services, and parking; special trade contractors; amusement and recreation services (see Table 3). (Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses)

Recent figures show that small firm job growth has continued. According to data prepared for the SBA's Office of

Advocacy by Cognetics, Inc., non-farm businesses added 1,370,200 net new jobs in the state between 1994 and 1998. In almost all industries, the most prolific job creators were firms with fewer than five employees. (Source: Cognetics, Inc.)

Small Business Income. There is no single measure of small business profitability because firms may operate as sole proprietorships, partnerships, or corporations. A partial measure — non-farm proprietors' income — totaled \$87.8 billion in 1998, an increase of 6.4 percent from \$82.5 billion in 1997. (Source: U.S. Dept. of Commerce)

Finance. The SBA's Office of Advocacy ranked the 336 banks in the state that filed "call reports" with federal banking regulators on the basis of dollar value, number, and percentage of small commercial loans (under \$1 million) outstanding on June 30, 1998. (See Table 4 for the top-ranking small-business-friendly banks.) In addition to these banks, small businesses seeking loans should consider lenders that participate in the SBA's loan programs (so-called "preferred" or "certified" lenders); for a list of these lenders, call the Small Business Answer Desk at (800) 827-5722. Small businesses looking for qualified investors can also turn to the Access to Capital Electronic Network (*ACE-Net*). For more information, contact an *ACE-Net* operator at (510) 354-3901 or via e-mail at *sharon@barta.org*.

To learn more about the Office of Advocacy's data, analyses, and research reports on small business, call (202) 205-6530 or visit the office's Web site at *www.sba.gov/advo/stats*.

TABLES

Table 1. Employment by Industry and Firm Size, 1996 (thousands)

<i>Industry</i>	<i>Total</i>	<i>Firm Size by Number of Employees</i>		<i>< 500 as Percent of Industry Total</i>
		<i>1-19</i>	<i>1-499</i>	
Total non-farm employment	11,131.1	2,225.7	6,034.7	54.2
Agricultural services	104.5	46.1	94.8	90.7
Mining	28.5	3.0	10.3	36.2
Construction	513.5	217.4	461.8	89.9
Manufacturing	1,868.1	185.3	943.1	50.5
Transportation, communications, and utilities	639.5	76.4	230.0	36.0
Wholesale trade	824.2	203.8	550.1	66.7
Retail trade	2,235.3	461.6	1,155.3	51.7
Finance, insurance, and real estate	795.9	145.2	354.4	44.5
Services	4,115.3	881.7	2,228.6	54.2
Unclassified	6.4	5.2	6.4	100.0

Source: U.S. Dept. of Commerce, Bureau of the Census.

Table 2. Non-Farm Job Gains and Losses by Firm Size, 1995–1996 (thousands)

	<i>Firm Size</i>		
	<i>Total</i>	<i>1–19</i>	<i>1–499</i>
Gains:			
New establishments	667.3	233.1	439.0
Expanding establishments	1,279.2	404.8	815.5
Losses:			
Downsized establishments	(1,129.9)	(229.4)	(636.8)
Closed establishments	(629.8)	(197.7)	(408.5)
Net change in employment	186.8	210.8	209.2

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses, 1999.

Table 3. Fastest Small Business Employment Growth by Industry, 1995–1996 (thousands)

<i>Industry</i>	<i>SIC</i>	<i>Small Business Employment 1996</i>	<i>Net Change*</i>	<i>Percent Change</i>
Total, all industries		6,034.7	89.4	1.5
Auto repair, services, and parking	7500	116.4	8.0	7.4
Amusement and recreation services	7900	125.1	7.8	6.7
Special trade contractors	1700	310.6	17.1	5.8
Industrial machinery and equipment	3500	105.5	5.4	5.4
Apparel and other textile products	2300	131.3	5.9	4.7

* Net change in Table 2 differs by definition from net change in Table 3. Table 2 uses dynamic data to track changes in individual businesses over time, whereas Table 3 uses static data to take snapshots of the universe of businesses at two different points in time.

Note: Table shows the top five industries. Includes only businesses with fewer than 500 employees. Industries with less than 1 percent change in small business employment are not included.

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses, 1999.

Table 4. Small-Business-Friendly Banks, 1998

<i>Bank Name</i>	<i>Location</i>
Valle De Oro Bank, N.A.	Spring Valley
Bank of Commerce	San Diego
Bank of America Community Development Bank	Walnut Creek
Bay Bank of Commerce	San Leandro
Wilshire State Bank	Los Angeles
Capitol Thrift and Loan Association	Napa
Nara Bank, N.A.	Los Angeles
Sonoma National Bank	Santa Rosa
Orange National Bank	Orange
Sierrawest Bank	Truckee
Wells Fargo HSBC Trade Bank, N.A.	San Francisco
Fallbrook National Bank	Fallbrook
Byl Bank Group	Yorba Linda

Source: U.S. Small Business Administration, Office of Advocacy, from data collected by the Federal Reserve Board.

The full list of small-business-friendly banks can be found on the Office of Advocacy's Web site at www.sba.gov/advo/lending/inus2.html.