

Small Business Profile: UNITED STATES

In the United States, small businesses are vital to the financial well-being of the nation's economy. Their contribution is essential for economic growth since they make up almost all employer firms, and generate half of U.S. non-farm private output. As entrepreneurs and innovators, small business owners represented a diverse group in 2004 and continued to keep the economy productive. The *Small Business Profile* provides information on the performance of small businesses using the most current federal data available.

Number of Businesses. There were an estimated 23,974,500 businesses in the United States in 2004.¹ Of the 5,683,700 firms with employees, an estimated 99.7 percent, or 5,666,600, were small firms. In 2004, the estimated number of employer businesses increased by 0.1 percent. The number of self-employed persons (including incorporated) increased overall by 2.2 percent, from 15,304,365 in 2003 to 15,636,149 in 2004. Non-employer businesses numbered 17,646,062 in 2002, an increase of 3.9 percent since 2001, based on the most recent data available. (Sources: U.S. Dept. of Labor, Employment and Training Administration; U.S. Dept. of Commerce, Census Bureau; U.S. Dept. of Labor, Bureau of Labor Statistics.)

Women-Owned Businesses. In 2002 women-owned firms totaled 6,492,795, an increase of 20 percent from 1997, and generated \$950.6 billion in revenues. Firms owned jointly by women and men numbered 2,619,722 with revenues of \$731.1 billion. Women represented 33.7 percent of self-employed persons in the country. (Sources: U.S. Dept. of Labor, Bureau of Labor Statistics; U.S. Dept. of Commerce, Census Bureau.)

Minority-Owned Businesses. In 2002, Hispanic-owned firms numbered 1,574,159, an increase of 31 percent from 1997. Black-owned firms numbered 1,197,988, an increase of 45 percent; Asian-owned firms numbered 1,105,329, an increase of 24 percent; American Indian and Alaska Native-owned firms numbered 206,125, an increase of 4 percent and there were 32,299 Native

Hawaiian and other Pacific Islander-owned firms.² (Source: U.S. Dept. of Commerce, Census Bureau.)

Business Turnover. There were an estimated 580,900 new employer businesses in 2004, 4.9 percent more than the previous year. Business terminations numbered 576,200 in 2004, an increase of 0.7 percent. Business bankruptcies decreased by 2.1 percent and totaled 34,317 in 2004. (Sources: U.S. Dept. of Labor, Employment and Training Administration; Administrative Office of the U.S. Courts; U.S. Dept. of Commerce, Census Bureau.)

Employment. Small firms with fewer than 500 employees numbered 5,680,914 in 2002 and employed 56,366,292 individuals, or 50.1 percent of the nation's non-farm private sector (Table 1).³ Net job gains among firms with fewer than 20 employees totaled 853,074, while large firms with 500 or more employees lost 2,231,026 jobs between 2001 and 2002 (Table 2). (Source: U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses.)

Small Business Income. Proprietors' income, a partial measure of small business income, increased by 7.3 percent, from \$834.1 billion in 2003 to \$902.8 billion in 2004. (Source: U.S. Dept. of Commerce.)

Finance. Commercial bank lenders are an important source of small business loans, and small firms usually rely on them for financing. Over the last 10 years the number of banks in United States has declined (Table 3). The Office of Advocacy has identified banks in each state that make the most loans to small businesses. This information is available in its banking studies at www.sba.gov/advo/research/lending.html.

To learn more about the Office of Advocacy's data and analyses of small business, visit www.sba.gov/advo/research, call (202) 205-6533 or email advocacy@sba.gov.

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¹ The Office of Advocacy's estimate of the total number of state small businesses is based on the percent of small businesses (2002 Census Bureau firm size data) multiplied by the total number of employer businesses in 2004 (Employment and Training Administration). To this total is added the 2002 number of non-employer firms (Census Bureau). See *Business Estimates from the Office of Advocacy*, www.sba.gov/advo/research/rs258tot.pdf.

² Minority owners may be in more than one minority group.

³ The number of employers in Table 1 is not directly comparable to the figures in the *Number of Businesses* section due to different data sources.

