

1996 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE ARIZONA ECONOMY

The importance of small business to the state of Arizona is once again evident in the 1996 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.

Of the **77,280** full-time business firms with employees in Arizona, **97.4** percent are small businesses (independent businesses with fewer than 500 workers). In addition to the number of employer businesses, there were also **137,000** full-time self-employed persons in Arizona in 1995, for a total estimated full-time 1995 business population of **214,280** firms.

Small Business Income - the income of sole proprietors and partners rose **11.5** percent to **\$5.2** billion in 1995, while wage-and-salary income rose **9.9** percent. Total personal income rose **9.3** percent to **\$87.7** billion. The state also exported **\$7.3** billion of goods and services in 1995, up **13.3** percent from 1994.

Arizona's number of women-owned businesses, including part-time firms, increased **54.0** percent from 1987 to 1992, totaling **93,300**. The number of Black-owned firms, including part-time firms, increased **62.1** percent from 1987 to 1992, totaling **2,936** in 1992. The number of Hispanic-owned firms, including part-time businesses, rose

81.2 percent during the same time period with **17,835** firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaska Natives. The number for the group grew from **3,398** in 1987, to **5,852** in 1992, representing a **72.2** percent increase.

Small businesses with fewer than 20 employees reported **11.9** percent employment growth from 1991 to 1995. These numbers clearly reflect the importance of small business firms as job creators in the state of Arizona.

The composition of small business in Arizona is very diverse. The **Eating and Drinking Places** industry is the largest small business employer in Arizona. Other significant small business industries are, in descending order: health services, special trade contractors, business services, and wholesale trade. The fast-growing industries include chemicals, depository institutions, social services, and special trade contractors.

The number of new firms increased **6.1** percent. Business bankruptcies increased by **8.3** percent and business failures increased by **0.4** percent. New business incorporations declined **3.4** percent.

An SBA Office of Advocacy study found that Arizona's top ten lenders to small businesses were:

1. Community bank of Arizona
2. Mohave State Bank
3. Stockmans Bank
4. Bank of Casa Grande Valley
5. Rocky Mountain bank
6. Bank of America
7. Southern Arizona Bank
8. Heritage bank
9. National Bank of Arizona
10. Frontier State Bank.

In sum, small businesses have a striking impact on Arizona's economy. Not only do they play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1993, the latest year available, and was prepared for the Office of Advocacy, U.S. Small Business Administration by the Bureau of the Census, U.S. Department of Commerce.

The first table lists the industries that were the top five employers in the state, without regard to the size of the firm that provided the jobs. The next to last column in the table shows the percentage of persons employed in firms with fewer than 500 employees (small businesses) in those industries.

The second table lists the industries that employ the most people in firms with fewer than 500 employees. These are the top small business employing industries in the state. The "percent of total" column provides the percentage of total employment in the state accounted for by each of the industries listed.

The third table lists--for the 1991-1993 period--the fastest growing small business industries in the state. As many as five industries are shown. If fewer than 5 industries are shown, it is because 1991-1993 was a recession period in which there was little national employment growth. The industries listed represent those in which small businesses sustained the economy during a period of little aggregate employment growth.

Top Five Industries in Arizona by Employment, 1993

| INDUSTRY | NUMBER OF JOBS | PERCENT OF TOTAL | PERCENT SMALL | RANK |
|---------------------------|----------------|------------------|---------------|------|
| Health Services | 131,518 | 10.0 | 41.1 | 1 |
| Eating & Drinking Places | 121,820 | 9.2 | 64.9 | 2 |
| Business Services | 91,379 | 6.9 | 53.2 | 3 |
| Special Trade Contractors | 60,902 | 4.6 | 95.7 | 4 |
| Food Stores | 50,120 | 3.8 | 19.5 | 5 |
| TOTAL, ALL INDUSTRIES | 1,319,607 | 100.0 | 53.8 | |

Top 5 Small-Business-Dominated Industries in Arizona by Employment, 1993

| INDUSTRY | NUMBER OF JOBS | PERCENT OF TOTAL | RANK |
|--|----------------|------------------|------|
| Eating & Drinking Places | 79,016 | 11.1 | 1 |
| Special Trade Contractors | 58,257 | 8.2 | 2 |
| Health Services | 54,080 | 7.6 | 3 |
| Business Services | 48,614 | 6.9 | 4 |
| Wholesale Trade-durable Goods | 32,970 | 4.6 | 5 |
| TOTAL, SMALL-BUSINESSES-DOMINATED INDUSTRIES | 709,521 | 100.0 | |

Fastest Growing Industries for Small Business in Arizona, 1991 - 1993

| INDUSTRY | SMALL BUSINESS EMPLOYMENT IN 1991 | SMALL BUSINESS EMPLOYMENT IN 1993 | PERCENT CHANGE, 1991-1993 | RANK |
|-------------------------------|-----------------------------------|-----------------------------------|---------------------------|------|
| Special Trade Contractors | 50,283 | 58,257 | 15.9 | 1 |
| Eating & Drinking Places | 71,290 | 79,016 | 10.8 | 2 |
| Wholesale Trade-durable Goods | 30,361 | 32,970 | 8.6 | 3 |
| Business Services | 46,388 | 48,614 | 4.8 | 4 |
| Health Services | 52,137 | 54,080 | 3.7 | 5 |

Office of Advocacy, U.S. Small Business Administration. Based upon Census data, prepared under contract.