

SMALL BUSINESS: BACKBONE OF THE VIRGINIA ECONOMY

The importance of small business to the state of Virginia 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, Virginia had 149,916 businesses with employees; 98.0 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 166,000 self-employed persons in 1996, for an estimated total of 315,916 businesses.

Small Business Income - The income of sole proprietors and partners rose 4.6 percent to \$8.0 billion in 1996, while wage-and-salary income rose 5.9 percent. Total personal income rose 5.8 percent to \$104.6 billion. The state also exported \$10.9 billion of goods in 1996.

Minority Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 189,000 women-owned businesses in Virginia, including part-time firms, employing 374,100 people and generating \$41.2 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 84.0 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 39.0 percent from 1987 to 1992, totaling 26,100 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 181.8 percent during the same time period with 7,654 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 8,163 in 1987, to 13,752 in 1992, representing a 68.5 percent increase.

Business Turnover - The number of new firms increased 7.9 percent, while new business incorporations decreased 0.7 percent in 1996. Financial difficulties leading to business bankruptcies increased by 6.4 percent and business failures decreased by 37.9 percent during 1996.

Finance - An SBA Office of Advocacy study found that the number of banks in Virginia decreased from 164 in 1994 to 154 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
VIRGINIA CMNTY BK	Louisa
BANK OF BOTETOURT	Buchanan
BENCHMARK CMNTY BK	Kenbridge
HIGHLANDS UNION BK	Abingdon
FIRST B&TC	Lebanon
SALEM B&TC NA	Salem
CHESAPEAKE BK	Kilmarnock
VIRGINIA B&TC	Danville
GRAYSON NB	Independence
F&M BK-MASSANUTTEN	Harrisonburg
BANK OF NORTHUMBERLAND	Heathsville
PATRIOT NB	Reston
BURKE & HERBERT B&TC	Alexandria
JEFFERSON NB	Charlottesville
CRESTAR BK	Richmond
CENTRAL FIDELITY NB	Richmond

Job Growth - Small businesses created 283,188 of the 314,512 net new jobs from 1992 to 1996. Very small businesses (< 20 employees) created 62.2 percent of the small business growth with 176,116 new jobs. 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	125,391	50,725	44,492	62,580	31,324	314,512
Manufacturing	2,256	3,814	2,943	1,754	(23,612)	(12,844)
Retail Trade	26,147	7,196	5,725	2,628	(16,710)	24,986
Services	74,764	28,440	26,042	48,173	68,781	246,200
Other	22,223	11,276	9,779	10,024	2,866	56,168

Industries - The composition of small business in Virginia is very diverse. The Business Services industry is the largest small business employer in Virginia, followed by Eating & Drinking Places. The fastest growing industry for small business is Nondepository Credit Institutions (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 Virginia by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	2,392,829	100.0	50.2
Health Services	8000	233,449	9.8	38.0
Business Services	7300	193,486	8.1	51.6
Eating & Drinking Places	5800	171,895	7.2	56.2
Engineering, Accounting, Research, Management, & Related Services	8700	105,874	4.4	61.2
Special Trade Contractors	1700	86,895	3.6	96.8

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

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	1,200,912	100.0	50.2
Business Services	7300	99,746	8.1	51.6
Eating & Drinking Places	5800	96,531	7.2	56.2
Health Services	8000	88,714	9.8	38.0
Special Trade Contractors	1700	84,077	3.6	96.8
Engineering, Accounting, Research, Management, & Related Services	8700	64,817	4.4	61.2

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

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	1,170,451	1,200,912	30,461	2.6
Nondepository Credit Institutions	4,765	6,019	1,254	26.3
Transportation Services	5,211	5,936	725	13.9
Communications	6,740	7,329	589	8.7
Furniture & Fixtures	3,394	3,666	272	8.0
Insurance Agents, Brokers, & Service	10,129	10,911	782	7.7

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.