



## 1997 SMALL BUSINESS PROFILE

### SMALL BUSINESS: BACKBONE OF THE VERMONT ECONOMY

The importance of small business to the state of Vermont 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, Vermont had 19,742 businesses with employees; 97.4 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 34,000 self-employed persons in 1996, for an estimated total of 53,742 businesses.

**Small Business Income** - The income of sole proprietors and partners rose 3.1 percent to \$1.1 billion in 1996, while wage-and-salary income rose 5.5 percent. Total personal income rose 5.2 percent to \$8.0 billion. The state also exported \$2.6 billion of goods in 1996.

**Minority Businesses** - According to The National Foundation for Women Business Owners, as of 1996, there were 29,200 women-owned businesses in Vermont, including part-time firms, employing 50,400 people and generating \$5.4 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 94.3 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 41.8 percent from 1987 to 1992, totaling 139 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 197.5 percent during the same time period with 351 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 111 in 1987, to 274 in 1992, representing a 146.8 percent increase.

**Business Turnover** - The number of new firms increased 2.2 percent, while new business incorporations decreased 3.4 percent in 1996. Financial difficulties leading to business bankruptcies decreased by 15.0 percent and business failures decreased by 27.7 percent during 1996.

**Finance** - An SBA Office of Advocacy study found that the number of banks in Vermont was unchanged from 21 in 1994 to 21 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

| Bank Name     | Location    |
|---------------|-------------|
| RANDOLPH NB   | Randolph    |
| UNION BK      | Morrisville |
| MERCHANTS BK  | Burlington  |
| CHITTENDEN TC | Burlington  |

**Job Growth** - Very small businesses (less than 20 employees) created all of the net new jobs from 1992 to 1996. This number 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 | 15,845 | 868   | 252   | (881)   | (4,666) | 11,418  |
| Manufacturing  | 435    | 536   | 565   | 310     | (2,126) | (280)   |
| Retail Trade   | 3,321  | 293   | (662) | (428)   | 858     | 3,381   |
| Services       | 9,693  | 397   | 825   | 729     | (927)   | 10,718  |
| Other          | 2,396  | (358) | (476) | (1,492) | (2,471) | (2,400) |

**Industries** - The composition of small business in Vermont is very diverse. The Eating & Drinking Places industry is the largest small business employer in Vermont, followed by Health Services. The fastest growing industry for small business is Textile Mill Products (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 Vermont by Employment, 1994

| Industry   | SIC  | Employment<br>Total | Percent of<br>Total | Percent<br>Small |
|--|------|---------------------|---------------------|------------------|
| Total - All Industries                                   | --   | 218,783             | 100.0               | 67.6             |
| Health Services  | 8000 | 24,072              | 11.0                | 58.0             |
| Eating & Drinking Places                                 | 5800 | 16,846              | 7.7                 | 83.0             |
| Educational Services                                     | 8200 | 9,804               | 4.5                 | 53.0             |
| Hotels, Rooming Houses, Camps, &<br>Other Lodging Places | 7000 | 9,636               | 4.4                 | 70.7             |
| Food Stores  | 5400 | 9,486               | 4.3                 | 57.3             |

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

| Industry   | SIC  | Employment in<br>firms with 0 - 499<br>employees | Percent of<br>Total | Percent<br>Small |
|--|------|--|---------------------|------------------|
| Total - All Industries                                   | --   | 147,900  | 100.0               | 67.6             |
| Eating & Drinking Places                                 | 5800 | 13,982   | 7.7                 | 83.0             |
| Health Services  | 8000 | 13,963   | 11.0                | 58.0             |
| Hotels, Rooming Houses, Camps, &<br>Other Lodging Places | 7000 | 6,809  | 4.4                 | 70.7             |
| Miscellaneous Retail                                     | 5900 | 6,385  | 3.6                 | 81.5             |
| Social Services  | 8300 | 5,973  | 2.8                 | 96.1             |

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

| Industry   | 1993    | 1994    | Amount<br>Change | Percent<br>Change |
|--|---------|---------|------------------|-------------------|
| Total - All Industries   | 145,347 | 147,900 | 2,553            | 1.8               |
| Textile Mill Products  | 409     | 512     | 103              | 25.2              |
| Hotels, Rooming Houses, Camps, & Other Lodging<br>Places             | 5,838   | 6,809   | 971              | 16.6              |
| Home Furniture, Furnishings, & Equipment Stores                      | 1,294   | 1,458   | 164              | 12.7              |
| Engineering, Accounting, Research, Management, &<br>Related Services | 2,715   | 3,059   | 344              | 12.7              |
| General Merchandise Stores   | 662     | 740     | 78               | 11.8              |

**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.