



1998 SMALL BUSINESS PROFILE

SMALL BUSINESS: HEART OF THE ALABAMA ECONOMY

The importance of small business to the state of Alabama is apparent in the 1998 Small Business Profile. This year's findings, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, indicate that small businesses are vital to the state's economy. Not only do small businesses play a critical role by efficiently reallocating the state's resources and injecting new ideas into the economy with business starts and stops, but their diversity and composition provide the work force with many opportunities.

Number of Businesses - In 1997, Alabama had 86,841 businesses with employees; 97.4 percent of the businesses were small businesses (percent based on 1995 data for businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 167,000 self-employed persons in 1997.

Small Business Income - The income of sole proprietors and partners rose 2.9 percent to \$5.4 billion in 1997, while wage-and-salary income rose 4.8 percent. The state also exported \$4.5 billion of goods in 1997. (In 1992, 70.6 percent of the exporters in the state were small businesses.)

Women-Owned Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 98,200 women-owned businesses in Alabama, including part-time firms, employing 230,600 people and generating \$26.5 billion in sales. Between 1987 and 1996, the number of women-owned businesses increased 87.9 percent.

Minority Businesses - According to the latest Bureau of the Census data, the number of black-owned firms, including part-time firms, increased 45.8 percent from 1987 to 1992, totaling 14,707 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 159.2 percent during the same time period with 1,029 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 1,007 in 1987, to 1,777 in 1992, representing a 76.5 percent increase.

Business Turnover - Between 1996 and 1997, the number of new firms decreased 4.0 percent, while new business incorporations increased 0.7 percent. Financial difficulties leading to business bankruptcies increased by 13.5 percent and business failures increased by 17.2 percent.

Finance - An SBA Office of Advocacy study found that the number of banks in Alabama decreased from 211 in 1994 to 178 in 1997. The study also found the top lenders to small businesses in FY 1997 were:

Bank Name	Location
INDEPENDENT BK OXFORD	Oxford
FARMERS & MRCH BK	Piedmont
FIRST B&TC	Grove Hill
PEOPLES B&TC	Selma
WEST AL B&TC	Reform
CB&T BK OF RUSSELL CTY	Phenix City
FIRST NB OF WETUMPKA	Wetumpka
EXCHANGE BK OF AL	Altoona
UNITED BK	Atmore
METRO BK	Pell City
FIRST CMRL BK	Birmingham
NATIONAL BK OF CMRC	Birmingham
COLONIAL BK	Montgomery
REGIONS BK	Birmingham
AMSOUTH BK	Birmingham
SOUTHTRUST BK NA	Birmingham

Small businesses seeking loans should also consider banks that participate in SBA loan programs. To locate an SBA preferred or certified lender near you, call 1-800-8-ASK-SBA.

Job Growth - From 1992 to 1996, small businesses (fewer than 500 employees) created all of the net new jobs. The figures below indicate 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	67,412	43,601	28,391	12,112	(46,756)	104,759
Manufacturing	1,706	4,032	5,455	437	(35,184)	(23,552)
Retail Trade	13,407	7,963	5,827	3,963	(8,130)	23,030
Services	36,806	21,280	10,129	13,249	(2,577)	78,887
Other	15,492	10,325	6,980	(5,537)	(866)	26,394

Industries - Small firms in the state are represented in many industries. The Health Services industry is the largest small business employer in Alabama, followed by Eating & Drinking Places. The fastest growing industry for small business is Transportation By Air (represents industries that were at least 0.25 percent of the 1995 total). The following three tables provide information about the small business sector in the state.

Table 1, Top Five Industries by Employment, 1995

Industry	SIC	Total Empl.	Percent of total	Percent small
Total - All Industries	1	1,553,301	100.0	49.6
Health Services	8000	176,999	11.4	38.0
Eating & Drinking Places	5800	107,334	6.9	53.0
Business Services	7300	82,140	5.3	45.8
Food Stores	5400	68,280	4.4	32.4
Wholesale Trade - Durable Goods	5000	56,548	3.6	77.0

Table 2, Top Small Business Industries by Employment, 1995

Industry	SIC	Small Bus. Empl.	Percent of total	Percent Small
Total - All Industries	1	770,426	100.0	49.6
Health Services	8000	67,257	11.4	38.0
Eating & Drinking Places	5800	56,871	6.9	53.0
Special Trade Contractors	1700	46,672	3.1	95.5
Wholesale Trade - Durable Goods	5000	43,560	3.6	77.0
Business Services	7300	37,586	5.3	45.8

Table 3, Fastest Growing Industries in Employment for Small Business, 1994 - 1995

Industry	SIC	Small Bus. Empl. 1995	Net change	Percent change
Total - All Industries	1	770,426	28,699	3.7
Transportation By Air	4500	654	142	21.7
Coal Mining	1200	1,150	230	20.0
Textile Mill Products	2200	8,540	1,589	18.6
Communications	4800	6,632	1,080	16.3
Agricultural Services	700	7,089	1,007	14.2

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 for Women Business Owners, and Cognetics, Inc.