

## **1996 SMALL BUSINESS PROFILE**

### **SMALL BUSINESS: BACKBONE OF THE DISTRICT OF COLUMBIA ECONOMY**

The importance of small business to the District of Columbia 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 **16,285** full-time business firms with employees in the District of Columbia, **94.3** percent are small businesses (independent businesses with fewer than 500 workers). In addition to the number of employer businesses, there were also **12,000** full-time self-employed persons in the District of Columbia in 1995, for a total estimated full-time business population of **28,285** firms.

**Small Business Income** - the income of sole proprietors and partners rose **5.4** percent to **\$2.2** billion in 1995, while wage-and-salary income rose **2.0** percent. Total personal income rose **2.5** percent to **\$18.0** billion. The District of Columbia also exported **\$230.7** million of goods and services in 1995.

The District of Columbia's number of women-owned businesses, including part-time firms, increased **32.9** percent from 1987 to 1992, totaling **14,599**. The number of Black-owned firms, including part-time firms, increased **22.2** percent from 1987 to 1992, totaling **10,111** in 1992. The number of Hispanic-owned firms, including part-time businesses, rose **90.6** percent during the same time period with **1,452** 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 **807** in 1987, to **1,393** in 1992, representing a **72.6** 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 District of Columbia.

The composition of small business in the District of Columbia is very diverse. **Membership Organizations** are the largest small business employer in the District of Columbia. Other significant small business industries are, in descending order: **Legal Services, Engineering Services, Eating and Drinking Places, and Business Services**. The fast-growing industries include **Banking, Amusement and Recreation Services, Social Services, and Museums**.

New business incorporations remained at **2,256**. The number of new firms declined **40.5** percent. However, business bankruptcies declined by **15.3** percent and business failures decreased by **7.7** percent.

An SBA Office of Advocacy study found that the District of Columbia's top ten lenders to small businesses in 1995 were:

1. Franklin National Bank of Washington, DC
2. Industrial Bank of Washington
3. First Liberty National Bank
4. Century National Bank
5. Adams National Bank
6. First Union National Bank of Washington
7. National Capital Bank of Washington
8. Citizens Bank of Washington, NA
9. First National Bank of Maryland & DC
10. Crestar Bank, NA

In sum, small businesses have a striking impact on the District of Columbia'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 this table provides 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 recessionary 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 District of Columbia by Employment, 1993

INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	PERCENT SMALL	RANK
Health Services	68,806	16.7	16.7	1
Membership Organizations	43,656	10.6	77.0	2
Educational Services	34,895	8.5	18.3	3
Business Services	30,960	7.5	50.9	4
Legal Services	30,298	7.4	63.8	5
TOTAL, ALL INDUSTRIES	411,471	100.0	45.4	

Top 5 Small-Business-Dominated Industries in District of Columbia by Employment, 1993

INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	RANK
Membership Organizations	33,611	18.0	1
Legal Services	19,330	10.3	2
Engineering & Management	18,562	9.9	3
Eating & Drinking Places	16,093	8.6	4
Business Services	15,758	8.4	5
TOTAL, SMALL-BUSINESS-DOMINATED INDUSTRIES	186,918	100.0	

Fastest Growing Industries for Small Business in District of Columbia, 1991 - 1993

INDUSTRY	SMALL BUSINESS EMPLOYMENT IN 1991	SMALL BUSINESS EMPLOYMENT IN 1993	PERCENT CHANGE, 1991-1993	RANK
Legal Services	17,608	19,330	9.8	1
Eating & Drinking Places	14,687	16,093	9.6	2
Hotels & Other Lodging Places	5,069	5,461	7.7	3
Social Services	12,826	13,545	5.6	4
Real Estate	8,718	9,190	5.4	5

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