



1998 SMALL BUSINESS PROFILE

SMALL BUSINESS: HEART OF THE HAWAII ECONOMY

The importance of small business to the state of Hawaii 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, Hawaii had 26,881 businesses with employees; 97.1 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 59,000 self-employed persons in 1997.

Small Business Income - The income of sole proprietors and partners rose 0.6 percent to \$2.5 billion in 1997, while wage-and-salary income rose 2.7 percent. The state also exported \$0.3 billion of goods in 1997. (In 1992, 83.5 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 39,400 women-owned businesses in Hawaii, including part-time firms, employing 82,500 people and generating \$9.7 billion in sales. Between 1987 and 1996, the number of women-owned businesses increased 66.8 percent.

Minority Businesses - According to the latest Bureau of the Census data, the number of black-owned firms, including part-time firms, increased 79.7 percent from 1987 to 1992, totaling 717 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 160.4 percent during the same time period with 3,192 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 31,406 in 1987, to 38,392 in 1992, representing a 22.2 percent increase.

Business Turnover - Between 1996 and 1997, the number of new firms decreased 9.3 percent, while new business incorporations was unchanged from 1996 to 1997. Financial difficulties leading to business bankruptcies was unchanged and business failures increased by 59.5 percent from 1996 to 1997.

Finance - An SBA Office of Advocacy study found that the number of banks in Hawaii decreased from 17 in 1994 to 14 in 1997. The study also found the top lenders to small businesses in FY 1997 were:

Bank Name	Location
REALTY FNC	Hilo
HAWAII NB	Honolulu
CITY BK	Honolulu
FIRST HAWAIIAN BK	Honolulu

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 57.8 percent 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	14,063	6,584	2,640	(4,299)	13,866	32,853
Manufacturing	416	217	(609)	(769)	(1,481)	(2,226)
Retail Trade	3,064	1,581	2,344	(1,956)	(4,153)	879
Services	6,823	3,249	2,076	(710)	6,514	17,952
Other	3,759	1,537	(1,173)	(864)	12,986	16,246

Industries - Small firms in the state are represented in many industries. The Eating & Drinking Places industry is the largest small business employer in Hawaii, followed by Health Services. The fastest growing industry for small business is Electric, Gas, & Sanitary Services (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	423,822	100.0	57.0
Eating & Drinking Places	5800	47,115	11.1	69.8
Health Services	8000	39,255	9.3	41.0
Hotels, Rooming Houses, Camps & Oth. Lodg.	7000	34,343	8.1	29.5
Business Services	7300	23,143	5.5	61.8
Real Estate	6500	15,636	3.7	84.5

Table 2, Top Small Business Industries by Employment, 1995

Industry	SIC	Small Bus. Empl.	Percent of total	Percent Small
Total - All Industries	1	241,527	100.0	57.0
Eating & Drinking Places	5800	32,873	11.1	69.8
Health Services	8000	16,086	9.3	41.0
Business Services	7300	14,301	5.5	61.8
Real Estate	6500	13,206	3.7	84.5
Special Trade Contractors	1700	12,472	3.1	93.8

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	241,527	(3,925)	(1.6)
Electric, Gas, & Sanitary Services	4900	281	86	30.6
Water Transportation	4400	2,025	278	13.7
Loc. & Subur. Transit & Interurb. Hway. Trans.	4100	2,877	324	11.3
Transportation Services	4700	4,576	372	8.1
Business Services	7300	14,301	1,022	7.1

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.