



## 1998 SMALL BUSINESS PROFILE

### SMALL BUSINESS: HEART OF THE KENTUCKY ECONOMY

The importance of small business to the state of Kentucky 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, Kentucky had 78,958 businesses with employees; 97.2 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 136,000 self-employed persons in 1997.

**Small Business Income** - The income of sole proprietors and partners rose 3.9 percent to \$4.9 billion in 1997, while wage-and-salary income rose 6.5 percent. The state also exported \$6.9 billion of goods in 1997. (In 1992, 68.4 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 98,900 women-owned businesses in Kentucky, including part-time firms, employing 213,400 people and generating \$23.4 billion in sales. Between 1987 and 1996, the number of women-owned businesses increased 70.1 percent.

**Minority Businesses** - According to the latest Bureau of the Census data, the number of black-owned firms, including part-time firms, increased 36.4 percent from 1987 to 1992, totaling 5,097 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 109.5 percent during the same time period with 752 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 899 in 1987, to 1,614 in 1992, representing a 79.5 percent increase.

**Business Turnover** - Between 1996 and 1997, the number of new firms increased 3.7 percent, while new business incorporations increased 4.2 percent. Financial difficulties leading to business bankruptcies increased by 4.2 percent and business failures decreased by 11.5 percent.

**Finance** - An SBA Office of Advocacy study found that the number of banks in Kentucky decreased from 297 in 1994 to 271 in 1997. The study also found the top lenders to small businesses in FY 1997 were:

Bank Name	Location
CITIZENS GUARANTY BK	Richmond
BANK OF COLUMBIA	Columbia
FIRST NB RUSSELL SPRGS	Russell Springs
KENTUCKY BKG CENTERS	Horse Cave
BANK OF MT VERNON	Mount Vernon
SOUTH CENTRAL BK	Glasgow
PEOPLES B&TC OF HAZARD	Hazard
FARMERS B&TC	Georgetown
FIRST NB OF MANCHESTER	Manchester
PEOPLES BK OF FLEMING CTY	Flemingsburg
COMMONWEALTH B&TC	Middletown
PEOPLES BK OF MURRAY	Murray
FARMERS NB OF DANVILLE	Danville
CENTRAL B&TC	Lexington
PEOPLES FIRST NB&TC	Paducah

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	36,247	31,497	22,254	38,753	(14,770)	113,979
Manufacturing	1,134	2,792	5,622	14,572	(19,593)	4,526
Retail Trade	3,727	4,353	3,933	4,588	(5,891)	10,710
Services	21,543	14,748	8,612	16,769	18,559	80,230
Other	9,843	9,604	4,087	2,824	(7,843)	18,514

**Industries** - Small firms in the state are represented in many industries. The Eating & Drinking Places industry is the largest small business employer in Kentucky, followed by Health Services. The fastest growing industry for small business is Insurance Carriers (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	1,347,019	100.0	52.8
Health Services	8000	159,755	11.9	39.8
Eating & Drinking Places	5800	111,316	8.3	62.8
Business Services	7300	64,099	4.8	51.1
Food Stores	5400	50,353	3.7	50.9
Wholesale Trade - Durable Goods	5000	44,648	3.3	76.2

Table 2, Top Small Business Industries by Employment, 1995

Industry	SIC	Small Bus. Empl.	Percent of total	Percent Small
Total - All Industries	1	711,243	100.0	52.8
Eating & Drinking Places	5800	69,892	8.3	62.8
Health Services	8000	63,641	11.9	39.8
Special Trade Contractors	1700	42,562	3.3	97.0
Wholesale Trade - Durable Goods	5000	34,001	3.3	76.2
Business Services	7300	32,728	4.8	51.1

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	711,243	29,381	4.1
Insurance Carriers	6300	1,290	429	33.3
Textile Mill Products	2200	979	286	29.2
Elec. Equip. & Components Except Compt.	3600	4,700	1,061	22.6
Ind. & Comm. Machinery & Computer Equip.	3500	13,754	2,717	19.8
Primary Metal Industries	3300	3,236	506	15.6

**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.