



1999 SMALL BUSINESS PROFILE: MINNESOTA

By any measure, small businesses are critical to the economic well-being of Minnesota. They create new businesses (and the new jobs that go with them); bring new and innovative services and products to the marketplace; and provide business ownership opportunities to diverse (and traditionally underrepresented) groups. These contributions are clearly established in the statistical portrait contained in this *Small Business Profile* compiled by the U.S. Small Business Administration's Office of Advocacy.

Number of Businesses. In 1998 there were 124,500 businesses with employees, of which approximately 98 percent were small businesses (fewer than 500 employees). The number of small businesses with employees increased by 2.3 percent from 121,700 in 1997. There were 249,000 self-employed persons in 1998. While there is some overlap between these two groups (firms with employees and self-employed persons), a rough calculation puts the total number of businesses at 373,500. (Sources: U.S. Dept. of Labor, Employment and Training Administration; U.S. Dept. of Commerce, Bureau of the Census; U.S. Dept. of Labor, Bureau of Labor Statistics)

Women-Owned Businesses. There were 98,000 self-employed women in 1998, representing 39.4 percent of total self-employment in the state. (Source: U.S. Dept. of Labor, Bureau of Labor Statistics)

Minority-Owned Businesses. According to the latest figures available, there were 7,449 minority-owned businesses in 1992, including 2,785 Black-owned businesses; 1,583 Hispanic-owned firms; and 3,168 firms owned by Asians, Pacific Islanders, American Indians, and Alaskan Natives. (Data may not add to total because an owner may be a member of more than one minority group). Of these businesses, 1,395 had employees, with employment totaling 11,600. (Source: U.S. Dept. of Commerce, Bureau of the Census)

Business Turnover. In 1998, 12,300 new employer firms were formed, 9.2 percent fewer than the number formed in 1997. There were 12,100 business terminations in 1998, a 4.4 percent decrease from 1997. Business bankruptcies totaled 2,000 in 1998, a 20.3 percent decrease from 1997. (Sources: U.S. Dept. of Labor, Employment and Training Administration; Administrative Office of the U.S. Courts; U.S. Dept. of Commerce, Bureau of the Census)

Employment. In 1996, businesses with fewer than 500 employees accounted for 1,139,200 employees, or 53.4 percent of the state's 2,134,800 private-sector non-farm employment. Small-business employment was concentrated in the following sectors: agricultural services, construction, and wholesale trade (see Table 1). Small businesses added a net total of 36,300 employees between 1995 and 1996, accounting for 56.2 percent of the total private non-farm employment change in the state (see Table 2). The industries with the greatest percentage increases in employment among small businesses were: special trade contractors; auto repair, services, and parking; and building construction (see Table 3). (Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses)

Recent figures show that small firm job growth has continued. According to data prepared for the SBA's Office of

Advocacy by Cognetics, Inc., non-farm businesses added 116,000 net new jobs in the state between 1994 and 1998. In almost all industries, the most prolific job creators were firms with fewer than five employees. (Source: Cognetics, Inc.)

Small Business Income. There is no single measure of small business profitability because firms may operate as sole proprietorships, partnerships or corporations. A partial measure — non-farm proprietors' income — totaled \$8.1 billion in 1998, an increase of 6.6 percent from \$7.6 billion in 1997. (Source: U.S. Dept. of Commerce)

Finance. The SBA's Office of Advocacy ranked the 520 banks in the state that filed "call reports" with federal banking regulators on the basis of dollar value, number, and percentage of small commercial loans (under \$1 million) outstanding on June 30, 1998. (See Table 4 for the top-ranking small-business-friendly banks.) In addition to these banks, small businesses seeking loans should consider lenders that participate in the SBA's loan programs (so-called "preferred" or "certified" lenders); for a list of these lenders, call the Small Business Answer Desk at (800) 827-5722. Small businesses looking for qualified investors can also turn to the Access to Capital Electronic Network (*ACE-Net*). For more information, contact an *ACE-Net* operator at (612) 373-2994 or via e-mail at *Csmith@mincorp.org*

To learn more about the Office of Advocacy's data, analyses, and research reports on small business, call (202) 205-6530 or visit the office's Web site at *www.sba.gov/advo*.

TABLES

Table 1. Employment by Industry and Firm Size, 1996 (thousands)

<i>Industry</i>	<i>Total</i>	<i>Firm Size by Number of Employees</i>		<i>< 500 as Percent of Industry Total</i>
		<i>1-19</i>	<i>1-499</i>	
Total non-farm employment	2,134.8	385.8	1,139.2	53.4
Agricultural services	8.8	*	8.0	90.0
Mining	7.0	*	0.8	11.4
Construction	87.8	40.3	79.7	90.7
Manufacturing	430.2	29.5	168.3	39.1
Transportation, communications, and utilities	117.8	15.8	46.2	39.2
Wholesale trade	150.3	34.5	99.1	65.9
Retail trade	442.0	89.4	241.7	54.7
Finance, insurance, and real estate	150.8	25.4	61.0	40.4
Services	739.6	144.2	434.1	58.7
Unclassified	0.5	*	0.5	100.0

* Data not available due to disclosure restrictions.

Source: U.S. Dept. of Commerce, Bureau of the Census.

Table 2. Non-Farm Job Gains and Losses by Firm Size, 1995–1996 (thousands)

	<i>Total</i>	<i>Firm Size</i>	
		<i>1–19</i>	<i>1–499</i>
Gains:			
New establishments	107.0	30.6	62.8
Expanding establishments	201.7	56.7	125.0
Losses:			
Downsized establishments	(169.3)	(34.3)	(96.6)
Closed establishments	(74.9)	(25.9)	(54.8)
Net change in employment	64.6	27.1	36.3

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses, 1999.

Table 3. Fastest Small Business Employment Growth by Industry, 1995–1996 (thousands)

<i>Industry</i>	<i>SIC</i>	<i>Small Business Employment 1996</i>	<i>Net Change*</i>	<i>Percent Change</i>
Total, all industries		1,139.2	16.0	1.4
Special trade contractors	1700	53.6	4.4	9.0
Auto repair, services, and parking	7500	17.1	1.2	7.2
Building construction	1500	18.6	1.2	6.6
Auto dealers and service stations	5500	38.7	1.9	5.2
Real estate	6500	20.3	1.0	5.2

* Net change in Table 2 differs by definition from net change in Table 3. Table 2 uses dynamic data to track changes in individual businesses over time, whereas Table 3 uses static data to take snapshots of the universe of businesses at two different points in time.

Note: Table shows the top five industries. Includes only businesses with fewer than 500 employees. Industries with less than 1 percent change in small business employment are not included.

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses, 1999.

Table 4. Small-Business-Friendly Banks, 1998

<i>Bank Name</i>	<i>Location</i>
Highland Bank	Saint Michael
First American Bank, N.A.	South Saint Paul
Saint Anthony Park State Bank	Saint Paul
State Bank of Rogers	Rogers
Lake Area Bank	Lindstrom
Vermillion State Bank	Vermillion
Cherokee State Bank of St Paul	Saint Paul
Pioneer National Bank of Duluth	Duluth
Prior Lake State Bank	Prior Lake
First American Bank, N.A.	Moorhead
Roseville Community Bank, N.A.	Roseville
Community First National Bank	Fergus Falls
Norwest Bank Minnesota South, N.A.	Rochester
Norwest Bank Minnesota, N.A.	Minneapolis

Source: U.S. Small Business Administration, Office of Advocacy, from data collected by the Federal Reserve Board.

The full list of small-business-friendly banks can be found on the Office of Advocacy's Web site at www.sba.gov/advo/lending

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