

1996 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE TEXAS ECONOMY

The importance of small business to the state of Texas 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 **336,667** full-time business firms with employees in Texas, **98.9** percent are small businesses (independent businesses with fewer than 500 workers). In addition to the number of employer businesses, there were also **691,000** full-time self-employed persons in Texas in 1995, for a total estimated 1995 full-time business population of **1,027,667** firms.

Small Business Income - the income of sole proprietors and partners rose **8.4** percent to **\$44.3** billion in 1995, while wage-and-salary income rose **7.2** percent. Total personal income rose **6.7** percent to **\$394.1** billion. The state also exported **\$59.1** billion of goods and services in 1995.

Texas's number of women-owned businesses, including part-time firms, increased **38.9** percent from 1987 to 1992, totaling **414,179**. The number of Black-owned firms, including part-time firms, increased **40.0** percent from 1987 to 1992, totaling **50,008** in 1992. The number of Hispanic-owned firms, including part-time businesses, rose **64.5** percent during the same time period with **155,909** 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 **22,682** in 1987, to **38,763** in 1992, representing a **70.9** percent increase.

Small businesses with fewer than 20 employees reported **9.9** percent employment growth from 1991 to 1995. These numbers clearly reflect the importance of small business firms as job creators in the state of Texas.

The composition of small business in Texas is very diverse. The **Eating and Drinking Places** industry is the largest small business employer in Texas. Other significant small business industries are, in descending order: Health Services, Business Services, Wholesale Trade-Durable Goods, and Special Trade Contractors. The fast-growing industries include Insurance Carriers, Social Services, Transportation Equipment, Food and Kindred Products, and Instruments and Related Products.

The number of new firms declined **1.5** percent. Business bankruptcies increased by **4.7** percent and business failures increased by **5.9** percent.

An SBA Office of Advocacy study found that Texas's top lenders to small businesses in 1996 were:

- United Bank and Trust Company
- First Commercial Bank NA
- First National Bank
- First Waco National Bank
- East Texas National Bank
- First Bank of Conroe NA
- First National Bank
- Guaranty Bank
- Midland American Bank
- Surety Bank NA
- Texas Bank
- Security State Bank and Trust Company
- First Valley Bank
- Citizen State Bank
- Sterling Bank
- Victoria Bank and Trust Company

Texas State Bank
Texas Commerce Bank NA
NationsBank of Texas NA
Bank of Texas NA

In sum, small businesses have a striking impact on Texas'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 the table shows 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 Texas by Employment, 1993

	INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	PERCENT SMALL
RANK				
1	Health Services	670,195	10.7	38.5
2	Business Services	488,019	7.8	45.3
3	Eating & Drinking Places	475,470	7.6	59.8
4	Wholesale Trade-durable Goods	264,107	4.2	68.0
5	Food Stores	237,682	3.8	27.9
	TOTAL, ALL INDUSTRIES	6,263,978	100.0	49.7

Top 5 Small-Business-Dominated Industries in Texas by Employment, 1993

INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	RANK
Eating & Drinking Places	284,124	9.1	1
Health Services	257,766	8.3	2
Business Services	221,022	7.1	3
Wholesale Trade-durable Goods	179,569	5.8	4
Special Trade Contractors	160,472	5.2	5
TOTAL, SMALL-BUSINESS-DOMINATED INDUSTRIES	3,115,530	100.0	

Fastest Growing Industries for Small Business in Texas, 1991 - 1993

INDUSTRY	SMALL BUSINESS EMPLOYMENT IN		PERCENT CHANGE, 1991-1993	RANK
	1991	1993		
Health Services	221,566	257,766	16.3	1
Eating & Drinking Places	259,621	284,124	9.4	2
Engineering & Management	107,596	116,879	8.6	3
Business Services	209,124	221,022	5.7	4
Wholesale Trade-durable Goods	173,556	179,569	3.5	5

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