



## 1997 SMALL BUSINESS PROFILE

### SMALL BUSINESS: BACKBONE OF THE CONNECTICUT ECONOMY

The importance of small business to the state of Connecticut is evident in the 1997 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. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

**Number of Businesses** - In 1996, Connecticut had 92,941 businesses with employees; 97.7 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 117,000 self-employed persons in 1996, for an estimated total of 209,941 businesses.

**Small Business Income** - The income of sole proprietors and partners rose 3.5 percent to \$7.0 billion in 1996, while wage-and-salary income rose 4.8 percent. Total personal income rose 4.6 percent to \$66.4 billion. The state also exported \$13.1 billion of goods in 1996.

**Minority Businesses** - According to The National Foundation for Women Business Owners, as of 1996, there were 103,500 women-owned businesses in Connecticut, including part-time firms, employing 250,300 people and generating \$38.4 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 56.2 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 40.7 percent from 1987 to 1992, totaling 5,714 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 101.4 percent during the same time period with 4,502 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 2,051 in 1987, to 3,485 in 1992, representing a 69.9 percent increase.

**Business Turnover** - The number of new firms increased 0.7 percent, while new business incorporations decreased 2.7 percent in 1996. Financial difficulties leading to business bankruptcies increased by 12.2 percent and business failures increased by 10.1 percent during 1996.

**Finance** - An SBA Office of Advocacy study found that the number of banks in Connecticut decreased from 43 in 1994 to 34 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

| Bank Name            | Location     |
|----------------------|--------------|
| MANCHESTER ST BK     | Manchester   |
| MARITIME B&TC        | Essex        |
| EQUITY BK            | Wethersfield |
| BANK OF SOUTHTON     | Southington  |
| LAFAYETTE AMER B&TC  | Bridgeport   |
| FIRST UNION BK OF CT | Stamford     |

**Job Growth** - Small businesses created 75,741 of the 197,710 net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) created 67.1 percent of the small business growth with 50,825 new jobs. These numbers clearly reflect 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 | 43,236 | 7,589 | (5,271) | 30,186  | 121,969 | 197,710 |
| Manufacturing  | 1,226  | 2,039 | (2,064) | 7,273   | 44,578  | 53,053  |
| Retail Trade   | 8,858  | (715) | (1,396) | (2,164) | (5,631) | (1,048) |
| Services       | 23,086 | 5,992 | 3,058   | 19,923  | 31,326  | 83,384  |
| Other          | 10,065 | 273   | (4,866) | 5,155   | 51,697  | 62,322  |

**Industries** - The composition of small business in Connecticut is very diverse. The Health Services industry is the largest small business employer in Connecticut, followed by Eating & Drinking Places. The fastest growing industry for small business is Paper & Allied Products (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in Connecticut by Employment, 1994

| Industry                 | SIC  | Employment<br>Total | Percent of<br>Total | Percent<br>Small |
|--------------------------|------|---------------------|---------------------|------------------|
| Total - All Industries   | --   | 1,385,262           | 100.0               | 52.3             |
| Health Services          | 8000 | 167,729             | 12.1                | 47.8             |
| Business Services        | 7300 | 84,334              | 6.1                 | 55.6             |
| Eating & Drinking Places | 5800 | 75,798              | 5.5                 | 72.8             |
| Insurance Carriers       | 6300 | 66,720              | 4.8                 | 6.3              |
| Transportation Equipment | 3700 | 57,498              | 4.2                 | 6.3              |

Table 2, Top Five Small Business Industries in Connecticut by Employment, 1994

| Industry                        | SIC  | Employment in<br>firms with 0 - 499<br>employees | Percent of<br>Total | Percent<br>Small |
|---------------------------------|------|--|---------------------|------------------|
| Total - All Industries          | --   | 724,399  | 100.0               | 52.3             |
| Health Services                 | 8000 | 80,235   | 12.1                | 47.8             |
| Eating & Drinking Places        | 5800 | 55,214   | 5.5                 | 72.8             |
| Business Services               | 7300 | 46,924   | 6.1                 | 55.6             |
| Wholesale Trade - Durable Goods | 5000 | 35,804   | 3.9                 | 66.9             |
| Social Services                 | 8300 | 30,975   | 2.5                 | 89.9             |

Table 3, Fastest Growing Industries for Small Business in Connecticut, 1993 - 1994

| Industry  | 1993    | 1994    | Amount<br>Change | Percent<br>Change |
|---|---------|---------|------------------|-------------------|
| Total - All Industries  | 719,951 | 724,399 | 4,448            | 0.6               |
| Paper & Allied Products   | 2,205   | 2,655   | 450              | 20.4              |
| Communications  | 3,117   | 3,630   | 513              | 16.5              |
| Security & Commodity Brokers, Dealers,<br>Exchanges, & Services | 3,595   | 3,952   | 357              | 9.9               |
| Home Furniture, Furnishings, & Equipment Stores                 | 6,990   | 7,589   | 599              | 8.6               |
| Educational Services (Private)                                  | 15,789  | 16,948  | 1,159            | 7.3               |

**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 of Women Business Owners, and Cognetics Inc.