



1997 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE HAWAII ECONOMY

The importance of small business to the state of Hawaii 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, Hawaii had 26,974 businesses with employees; 97.2 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 47,000 self-employed persons in 1996 for an estimated total of 73,974 businesses.

Small Business Income - The income of sole proprietors and partners declined 0.7 percent to \$2.3 billion in 1996, while wage-and-salary income rose 1.0 percent. Total personal income rose 0.8 percent to \$19.3 billion. The state also exported \$295 million of goods in 1996.

Minority 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 1992-1996, the number of women-owned businesses, increased 66.8 percent.

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 - The number of new firms increased 3.0 percent, while there was no change in the number of new business incorporations between 1995 and 1996. Financial difficulties leading to business bankruptcies increased by 17.6 percent and business failures increased by 46.7 percent during 1996.

Finance - An SBA Office of Advocacy study found that the number of banks in Hawaii decreased from 17 in 1994 to 14 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

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

Job Growth - Very small businesses (less than 20 employees) created 20,647 of the 32,853 net new jobs from 1992 to 1996. These numbers clearly reflect the importance of small businesses as job creators.

Industries - The composition of small business in Hawaii is very diverse. The Eating & Drinking Places industry is the largest small business employer in Hawaii, followed Health Services. The fastest growing industry for small business is Nondepository Credit Institutions (represents industries that were at least 0.25% of the 1994 total).

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

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 Hawaii by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	425,987	100.0	57.6
Eating & Drinking Places	5800	45,314	10.6	70.2
Health Services	8000	38,798	9.1	40.5
Hotels, Rooming Houses, Camps, & Other Lodging Places	7000	36,616	8.6	26.9
Business Services	7300	22,800	5.4	58.2
Real Estate	6500	16,278	3.8	86.1

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

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	245,452	100.0	57.6
Eating & Drinking Places	5800	31,801	10.6	70.2
Health Services	8000	15,726	9.1	40.5
Real Estate	6500	14,023	3.8	86.1
Special Trade Contractors	1700	13,376	3.3	94.3
Business Services	7300	13,279	5.4	58.2

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

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	255,871	245,452	(10,419)	(4.1)
Nondepository Credit Institutions	859	1,105	246	28.6
Transportation By Air	970	1,199	229	23.6
Local & Suburban Transit & Interurban Highway Passenger Transportation	2,254	2,553	299	13.3
Hotels, Rooming Houses, Camps, & Other Lodging Places	9,047	9,849	802	8.9
Miscellaneous Manufacturing Industries	974	1,046	72	7.4

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.