



Office of Advocacy

## 1998 SMALL BUSINESS PROFILE

### SMALL BUSINESS: HEART OF THE SOUTH DAKOTA ECONOMY

The importance of small business to the state of South Dakota 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, South Dakota had 21,370 businesses with employees; 97.3 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 53,000 self-employed persons in 1997.

**Small Business Income** - The income of sole proprietors and partners rose 5.2 percent to \$1.6 billion in 1997, while wage-and-salary income rose 4.9 percent. The state also exported \$0.4 billion of goods in 1997. (In 1992, 62.9 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 24,000 women-owned businesses in South Dakota, including part-time firms, employing 52,000 people and generating \$6.0 billion in sales. Between 1987 and 1996, the number of women-owned businesses increased 65.2 percent.

**Minority Businesses** - According to the latest Bureau of the Census data, the number of black-owned firms, including part-time firms, increased 76.2 percent from 1987 to 1992, totaling 111 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 119.3 percent during the same time period with 239 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 375 in 1987, to 555 in 1992, representing a 48.0 percent increase.

**Business Turnover** - Between 1996 and 1997, the number of new firms increased 6.9 percent, while new business incorporations increased 4.2 percent. Financial difficulties leading to business bankruptcies increased by 2.3 percent and business failures increased by 76.7 percent.

**Finance** - An SBA Office of Advocacy study found that the number of banks in South Dakota decreased from 120 in 1994 to 113 in 1997. The study also found the top lenders to small businesses in FY 1997 were:

| Bank Name                   | Location    |
|-----------------------------|-------------|
| MERCHANTS ST BK             | Freeman     |
| FIRST ST BK MILLER          | Miller      |
| FULTON ST BK                | Fulton      |
| FIRST NB IN GARRETSON       | Garretson   |
| DAKOTA ST BK                | Colman      |
| CITIZENS ST BK OF ARLINGTON | Arlington   |
| F & M BK                    | Watertown   |
| BANKWEST                    | Pierre      |
| FIRST FIDELITY BK           | Burke       |
| FIRST DAKOTA NB             | Yankton     |
| FIRST WESTERN BK STURGIS    | Sturgis     |
| FIRST BK OF SD NA           | Sioux Falls |
| CITIBANK SOUTH DAKOTA NA    | Sioux Falls |

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 | 8,595 | 6,026 | 3,737 | 12,197  | (2,316) | 28,239 |
| Manufacturing  | 214   | 587   | 878   | 1,962   | 3,436   | 7,076  |
| Retail Trade   | 1,143 | 976   | (273) | 1,102   | (428)   | 2,520  |
| Services       | 6,200 | 3,520 | 3,243 | 6,543   | (2,280) | 17,227 |
| Other          | 1,037 | 944   | (111) | 2,590   | (3,044) | 1,415  |

**Industries** - Small firms in the state are represented in many industries. The Eating & Drinking Places industry is the largest small business employer in South Dakota, 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    | 268,474     | 100.0            | 64.3          |
| Health Services                          | 8000 | 36,450      | 13.6             | 46.6          |
| Eating & Drinking Places                 | 5800 | 22,432      | 8.4              | 85.3          |
| Ind. & Comm. Machinery & Computer Equip. | 3500 | 11,911      | 4.4              | 23.1          |
| Food Stores                              | 5400 | 10,200      | 3.8              | 53.2          |
| Depository Institutions                  | 6000 | 9,912       | 3.7              | 45.5          |

Table 2, Top Small Business Industries by Employment, 1995

| Industry                             | SIC  | Small Bus. Empl. | Percent of total | Percent Small |
|--------------------------------------|------|------------------|------------------|---------------|
| Total - All Industries               | 1    | 172,580          | 100.0            | 64.3          |
| Eating & Drinking Places             | 5800 | 19,128           | 8.4              | 85.3          |
| Health Services                      | 8000 | 16,987           | 13.6             | 46.6          |
| Auto. Dealers & Gas Service Stations | 5500 | 8,342            | 3.4              | 91.7          |
| Wholesale Trade - Durable Goods      | 5000 | 8,256            | 3.6              | 86.3          |
| Wholesale Trade - Nondurable Goods   | 5100 | 7,179            | 3.5              | 76.9          |

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    | 172,580               | 4,415      | 2.6            |
| Insurance Carriers                         | 6300 | 748                   | 168        | 22.5           |
| Communications                             | 4800 | 2,078                 | 383        | 18.4           |
| Hotels, Rooming Houses, Camps & Oth. Lodg. | 7000 | 5,372                 | 788        | 14.7           |
| Nondepository Credit Institutions          | 6100 | 287                   | 37         | 12.9           |
| Transportation Equipment                   | 3700 | 692                   | 85         | 12.3           |

**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 for Women Business Owners, and Cognetics, Inc.