

*The State of*  
MINORITY  
BUSINESS ENTERPRISES

AN OVERVIEW OF THE  
2002 SURVEY OF BUSINESS OWNERS:

*Number of Firms, Gross Receipts, and Paid Employees*

U.S. Department of Commerce  
Carlos M. Gutierrez, Secretary

Minority Business Development Agency  
Ronald N. Langston, National Director

August 2006

U.S. DEPARTMENT OF COMMERCE



MINORITY BUSINESS DEVELOPMENT AGENCY

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# Table of Contents

Preface	1
Executive Summary	2
Introduction	6
National Picture	7
Growth in Number of Firms	7
Growth in Gross Receipts	7
Average Gross Receipts	9
Growth in Paid Employees	10
Entrepreneurial Parity	12
Geographic Picture	15
States	15
Growth in Number of Firms	15
Growth in Gross Receipts	19
Combined Statistical Areas	20
Industry Picture	22
Average Gross Receipts	25
S&I Firms vs. Non-S&I firms	27
Growth in Number of Firms	27
Growth in Gross Receipts	27
Average Gross Receipts	28
Growth in Paid Employees	28
Conclusion	30
Methodology	31
Sources	33
Appendix A: MBDA Programs	34
Appendix B: Maps	36
Appendix C: Additional Tables on Industry	39
Appendix D: Relative Standard Error	41
Appendix E: List of Tables and Charts	47



# Preface

As more individuals in the African-American, Latino, Asian/Pacific Islander, Native American and Alaska Native communities embrace entrepreneurship, we celebrate the contributions that over 4.1 million minority-owned businesses are making to the growth of the U.S. and global economies.

More minority business enterprises are being created at every level, from small/micro operations to rapidly growing technology companies. According to this report, *State of Minority Business Enterprises: An Overview of the 2002 Survey of Business Owners*, minority-owned firms generated over \$668 billion in annual sales, and employed about 4.7 million people in 2002.

Businesses grossing over \$500,000 annually in sales represented 75 percent of all minority annual gross receipts and 73 percent of all employees in the minority business community in 2002. These firms provide millions of people with steady jobs and create wealth in minority communities. The Minority Business Development Agency (MBDA) recognizes the critical importance of these firms to the economies of minority communities, the nation and the global markets, and has become an advocate for programs serving these companies.

Minorities frequently commence their careers by working for a minority-owned firm or starting their own business. The minority population is projected to continue to grow rapidly and will constitute an increasingly significant part of the overall U.S. population. Empowering minority entrepreneurs and accelerating their level of productivity is critical to strengthening U.S. competitiveness nationally and worldwide.

Although minority-owned firms are increasing in number at a faster pace than the rate of the minority population, the gap in annual gross receipts slightly widened when compared to the share of the minority population. With increased sources of financing for minority-owned businesses at all stages, strategic alliances, and access to the marketplace, many minority firms can expand and succeed.

This report analyzes the U.S. Census Bureau's economic survey to identify trends in minority business enterprises, which can be the basis for further research. Findings from this document provide a benchmark that we hope will influence the development of policies and programs to support the growth and expansion of minority business enterprises.

In partnership with corporate America, government agencies, non-profit organizations and educational institutions, MBDA will continue accelerating the competitiveness and growth of minority-owned businesses by supporting programs addressing their specific needs.

Ronald N. Langston  
National Director  
Minority Business Development Agency

# Executive Summary

This report provides a snapshot of the data on minority business enterprises (MBEs)<sup>1</sup> from two U.S. Census Bureau's surveys: the 1997 Survey of Minority-Owned Business Enterprises (SMOBE) and the 2002 Survey of Business Owners (SBO).<sup>2</sup> These surveys offer insight into the economic activity of these MBEs in the United States.

## *Findings*

In 2002, there were 4.1 million MBEs representing almost 18 percent of firms that could be classified according to the race, ethnicity, or gender of ownership (classifiable firms).<sup>3</sup> These firms earned gross receipts of \$668 billion (8 percent of gross receipts attributable to classifiable firms) and employed 4.7 million workers (9 percent of workers employed by classifiable firms).<sup>4</sup>

For a number of measures, MBEs showed strong growth in the 5 years between the surveys:

- Between 1997 and 2002, the number of MBEs increased by 35 percent. The number of non-minority firms<sup>5</sup> increased by only 6 percent. The number of all U.S. firms increased by 10 percent.
- From 1997 to 2002, annual gross receipts generated by MBEs increased by 13 percent. Annual gross receipts generated by non-minority firms increased only 3 percent over the same period.
- The number of workers employed by MBEs grew by 5 percent between 1997 and 2002. Over the same period, the number of workers employed by non-minority firms declined 7 percent.

However:

- In 2002, average gross receipts of minority firms were \$162 thousand. This was considerably lower than the \$448 thousand average gross receipts of non-minority firms.
- The average gross receipts of MBEs decreased by 16 percent between 1997 and 2002. Over the same period, average gross receipts of non-minority firms remained level.

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<sup>1</sup> Minority business enterprises are firms that can be classified in terms of the race and ethnicity, and/or gender of ownership. These firms are owned by African Americans, American Indians and Alaska Natives, Asians, Hispanics, and Native Hawaiians and Other Pacific Islanders.

<sup>2</sup> Available standard errors for the data presented in this report are provided in the appendix.

<sup>3</sup> The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender.

<sup>4</sup> Workers refer to paid employees.

<sup>5</sup> Non-minority firms are a sub-set of firms that can be classified with respect to the race, ethnicity, or gender status of ownership.

Large MBEs—MBEs with gross annual receipts greater than \$500,000—showed particularly strong performance.<sup>6</sup>

- In 2002, there were 194 thousand large MBEs, representing 5 percent of all MBEs. These firms generated \$498 billion in annual receipts and employed 3.4 million people. That year, large MBEs generated 75 percent of total gross receipts attributable to MBEs, and employed 73 percent of the workers employed by MBEs.
- The number of large MBEs increased by 15 percent between 1997 and 2002. The number of similarly sized non-minority firms grew by 13 percent.
- From 1997 and 2002, annual gross receipts of large MBEs grew by 11 percent. Annual gross receipts of similarly sized non-minority firms grew by only 3 percent.
- Over the same period, the number of workers employed by large MBEs increased by 9 percent. The number of workers employed by similarly sized non-minority firms declined by 6 percent.
- Average gross receipts of large MBEs decreased by 3 percent between 1997 and 2002. Over that same time period, average gross receipts of similarly sized non-minority firms declined 9 percent.

Some measures showed growth among small MBEs—MBEs with less than \$500,000 in annual gross receipts—although these firms account for a relatively small share of total economic activity attributable to MBEs.

- In 2002, small MBEs accounted for 95 percent of all MBEs. That year, they generated 25 percent gross receipts attributable to MBEs and employed 27 percent of workers employed by MBEs.
- Between 1997 and 2002, the number of small MBEs grew 36 percent.
- Gross receipts of small MBEs grew 19 percent between 1997 and 2002.

Parity is a benchmark used by the U.S. Department of Commerce's Minority Business Development Agency in assessing the performance of minority businesses. Parity is achieved when economic measures (such as number of firms, gross receipts, or paid employees) show that MBEs contribute to the economy at rates comparable to the minority share of the population age 18 and older.

MBEs have yet to reach parity in number of firms, gross receipts, and paid employees.

- In 2002, minorities represented 29 percent of people age 18 and older in the United States. As previously noted, MBEs represented almost 18 percent of firms that could be classified according to the race, ethnicity, or gender of ownership. They earned 8 percent of gross receipts and employed 9 percent of the people employed by these classifiable firms.

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<sup>6</sup> The "Strategic Growth Initiative" (SGI) of the U.S. Department of Commerce's Minority Business Development Agency focuses on large MBEs; i.e. those MBEs with annual revenues in excess of \$500,000.



- If parity had been reached, minority firms would have represented 29 percent of classifiable firms and generated comparable percentages in gross receipts and employment.
- Although MBEs have not yet reached parity, the gap in the proportion of firms narrowed between 1997 and 2002. The growth rate in number of MBEs (35 percent), which is larger than the growth of the minority population (25 percent) between 1997 and 2002, has contributed, in part, to closing the parity gap in number of firms.
- MBEs' gap in gross receipts and paid employees remained essentially level over the same period. While MBEs needed \$1.6 trillion more (2.7 times more) gross receipts to reach parity with their population share in 1997, an additional \$1.9 trillion (2.8 times more) was required in 2002.
- Given the extent to which MBEs contribute to the nation's economic growth, and employ a minority workforce, special emphasis must be placed in assisting these firms in closing this gap.

MBEs exist in all 50 states and the District of Columbia, with various degrees of concentration.

- Fifty-seven percent of all minority businesses in the nation resided in California, Texas, New York and Florida in 2002.
- Between 1997 and 2002, the fastest growth in number of minority firms occurred in Nevada, Georgia, New York, Florida, and Minnesota.
- The greatest growth in gross receipts was generated by MBEs in Nebraska, South Carolina, Wyoming, Alaska, and Virginia.
- Forty-four percent of all MBEs are located in five Combined Statistical Areas that included Los Angeles, New York, San Francisco, Miami, and Washington, D.C.

MBEs are more highly concentrated in industries such as health care and social assistance; professional, scientific and technical services; retail trade; administrative support, waste management, and remediation services; and other services.

- MBEs in the management of companies and enterprises industry had higher average gross receipts than non-minority businesses in that same industry.
- MBEs in all other industries had lower average gross receipts than non-minority firms, with the largest gap occurring in the utilities industry.

## *Recommendations*

Further research is needed to try to explain the trends in the MBE community, particularly with respect to the gap in average sales, and slower growth of gross receipts and paid employees compared to the growth in number of firms. An analysis of the upcoming release of the 2002 Characteristics of Businesses and Business Owners from the U.S. Census Bureau, and longitudinal field research may assist us to answer some of these questions.

Additional studies of MBEs and non-minority firms by industries and kinds of companies would contribute to a better understanding of MBE performance. Research on American Indian and Alaska Native businesses is particularly crucial, since the data from the U.S. Census 2002 SBO and 1997 SMOBE were not directly comparable.

# Introduction

The U.S. Department of Commerce's Minority Business Development Agency (MBDA) is the only Federal agency established to foster the establishment and growth of minority-owned businesses in America. Created in 1971, MBDA provides services to African American, Asian/Pacific Islander, Hasidic Jew, Hispanic, and Native American/Alaskan entrepreneurs. Since its inception, MBDA has provided business development services to minority entrepreneurs and developed research and information about the minority business community.

MBDA's mission is to achieve entrepreneurial parity for minority business enterprises (MBEs) by enhancing their growth and expansion. The agency coordinates and leverages public and private-sector resources in support of its mission.

Over the past several years, MBDA has focused on providing business services to minority entrepreneurs who are pursuing accelerated growth. These entrepreneurs are well-positioned to impact the local economies by creating jobs and generating significant revenues, and expanding into national and global markets.

MBDA analyzes economic and population data to understand the economic conditions of businesses, particularly minority enterprises. These analyses help the agency shape its strategies, program design and implementation, and develop its advocacy efforts.

The Final Estimates of the 2002 Survey of Business Owners (SBO), released by the U.S. Census Bureau from March through June of 2006, contain statistics on U.S. businesses by race and Hispanic or Latino origin. The U.S. Census Bureau first conducted this survey in 1969, and has produced subsequent surveys every 5 years, since 1972. Previous surveys were entitled, *Survey of Minority-Owned Business Enterprises (SMOBE)*.

MBDA's *State of Minority Business Enterprises: An Overview of the 2002 Survey of Business Owners*, analyzes data from the 2002 SBO and the 1997 SMOBE to understand better the status of minority-owned businesses as it relates to all U.S. firms. Additional SBO statistics on business and business owner's characteristics, to be released by the U.S. Census in September of 2006, will be reviewed and discussed in a future publication.

The *State of Minority Business Enterprises* reveals trends in the growth of minority-owned businesses as compared to all U.S. firms, and the minority population in the United States. MBDA defines parity as a measure where the percentage share of minority-owned firms, minority gross sales and paid employees, are equivalent to the share of the minority population in the United States. By benchmarking the representation and performance of minority business enterprises in the U.S. economy, we can report on the progress made in narrowing the parity gap

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## National Picture

In 2002, MBEs<sup>7</sup> represented almost 18 percent (4.1 million) of classifiable firms<sup>8</sup>, grossed 8 percent of all annual gross receipts (\$668 billion) and employed 9 percent of all paid employees (4.7 million).

Between 1997 and 2002, minority-owned companies increased in number, annual gross receipts, and paid employees at a faster rate than non-minority firms.<sup>9</sup>

### *Growth in Number of Firms*

From 1997 until 2002, minority-owned businesses grew in number at a higher pace than non-minority firms. MBEs increased at a rate of 35 percent, with the number of minority firms growing from 3 million in 1997 to over 4.1 million MBEs in 2002. By comparison, non-minority firms grew at a rate of 6 percent, from 17.4 million in 1997 to 18.4 million businesses in 2002. The growth in minority firms also exceeded the growth of the minority population (25 percent) during the same period. (Table 1a)

Native Hawaiian and Other Pacific Islander-owned firms led all minority groups in growth of number of firms with a 49 percent increase from 1997 to 2002. During the same period, African American-owned firms grew by 45 percent, Hispanic-owned businesses by 31 percent, and Asian-owned firms by 24 percent.

The number of American Indian and Alaska Native-owned firms in 1997 is not directly comparable to that of 2002, because the U.S. Census introduced new questions in the 2002 SBO survey which allowed for the exclusion of some tribally owned businesses, while some of these firms may have been included in the 1997 SMOBE survey.

### *Growth in Gross Receipts*

Between 1997 and 2002, the growth in annual gross receipts for MBEs was also much greater than that for non-minority firms. While MBEs increased their overall annual gross receipts by 13 percent, from about \$591 billion in 1997 to \$668 billion in 2002, non-minority firms grew their annual gross receipts by 4 percent, from \$7.8 trillion in 1997 to \$8.1 trillion in 2002.

African American businesses led the growth in annual gross receipts and at a faster pace than all U.S. firms.<sup>10</sup> The receipts of African American businesses grew by 25 percent, from \$71

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<sup>7</sup> Total number of minority firms and other business measures for all minorities for 2002 represent MBDA estimates only by Hispanic or Latino origin and race (excluding white). Hispanics may be of any race, as business owners were allowed to identify with more than one race category.

<sup>8</sup> The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender.

<sup>9</sup> Total number of non-minority owned firms and other business measures for non-minority businesses for 2002 represent MBDA estimates.

<sup>10</sup> These U.S. firms include publicly held, foreign-owned, not-for-profit and other firms not classifiable firms by race, Hispanic or Latino origin.

billion in 1997 to almost \$89 billion in 2002. Hispanic-owned businesses followed with a 19 percent growth, from \$186 billion in 1997 to almost \$222 billion in 2002.

In 2002, Asian-owned firms generated the largest annual gross receipts, \$326 billion, which represented almost 45 percent of all minority receipts in that year. Compared to 1997 gross sales, Asian firms' growth rate was 8 percent.

Native Hawaiian and Other Pacific Islanders increased their firms' receipts by a slower rate than non-minority firms (3 percent), from \$4.1 billion in 1997 to almost \$4.3 billion in 2002.

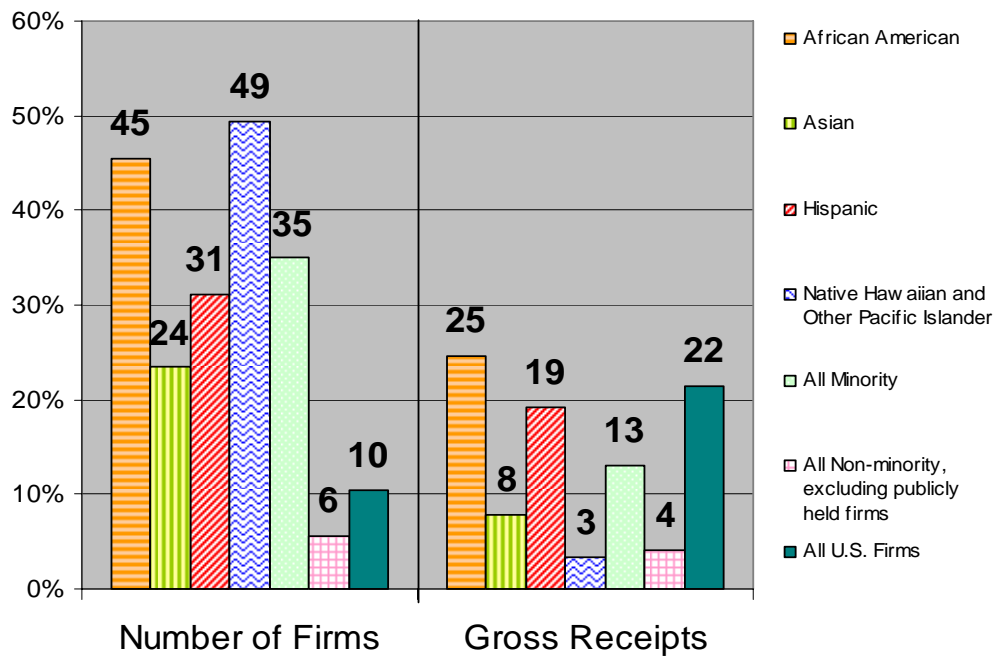
American Indian and Alaska Native businesses generated \$26 billion in annual gross sales in 2002. As noted earlier, data for this group are not comparable to 1997 statistics.

**Table Ia: Total Firms, Total Gross Receipts and Total Paid Employees, 1997 - 2002<sup>11</sup>**

Group	Year	Number of Firms	% Change	Gross Receipts (\$1,000)	% Change	Number of Employees	% Change
African American	2002	1,197,661	45%	\$88,779,041	25%	756,697	5%
	1997	823,499		\$71,214,662		718,341	
American Indian and Alaska Native	2002	201,387		\$26,872,947		191,270	
	1997	197,300		\$34,343,907		298,661	
Asian	2002	1,104,189	24%	\$326,352,983	8%	2,212,813	2%
	1997	893,590		\$302,794,624		2,169,033	
Hispanic	2002	1,573,600	31%	\$221,976,823	19%	1,537,801	11%
	1997	1,199,896		\$186,274,582		1,388,746	
Native Hawaiian and Other Pacific Islander	2002	28,948	49%	\$4,279,591	3%	29,319	-14%
	1997	19,370		\$4,138,358		34,047	
All Minority	2002	4,105,785	35%	\$668,261,385	13%	4,727,900	5%
	1997	3,039,033		\$591,259,123		4,514,699	
Non-Minority Firms	2002	18,374,647	6%	\$8,125,089,776	4%	50,699,892	-7%
	1997	17,401,382		\$7,800,742,138		54,386,713	
Classifiable Firms (Minority + Non-Minority)	2002	22,480,432	10%	\$8,793,351,161	5%	55,427,792	-6%
	1997	20,440,415		\$8,392,001,261		58,901,412	
All U.S. Firms, includes publicly held	2002	22,974,685	10%	\$22,627,167,224	22%	110,786,416	7%
	1997	20,821,934		\$18,553,243,047		103,359,815	

<sup>11</sup> Due to the exclusion of tribally held governments in 2002, data for American Indian and Alaska Native firms for 1997 and 2002 are not comparable, and therefore the percent change for that period is not represented. The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender. All U.S. Firms include publicly held, foreign-owned, not-for-profit and other firms not classifiable by race and Hispanic or Latino origin. The change in gross receipts for Native Hawaiian and Other Pacific Islander firms was not statistically significant from zero. Available relative standard errors from which the reliability of the estimates in this table can be determined can be found in Table 1b on page 41.

Chart I: Change in Number of Firms and Gross Receipts, 1997-2002



### *Average Gross Receipts*

While minority-owned businesses overall had an extraordinary increase in the number of firms from 1997 to 2002, and many minority groups experienced healthy growth in gross receipts, the average receipts grossed by these firms declined between 1997 and 2002. Minority firms generated average gross receipts of about \$195,000 per firm in 1997, compared with \$163,000 in 2002, a decrease of more than 16 percent. Average gross receipts of non-minority firms decreased slightly (1 percent) from about \$448,000 in 1997 to \$442,000. However, all U.S. firms, including publicly held and other firms, increased their average gross receipts by 11 percent, from \$891,000 per firm in 1997 to \$985,000 in 2002. (Table 2)

Businesses owned by each minority group also had declining average gross receipts. Native Hawaiian and Other Pacific Islanders businesses saw the biggest decline in average gross receipts, from about \$214,000 in 1997 to nearly \$148,000 in 2002, a 31 percent decline.

Despite strong growth in total gross receipts, between 1997 and 2002 the average sales for African American firms declined more than 14 percent. The average gross receipts for Asian and Hispanic businesses also declined by almost 13 percent, and 9 percent, respectively. American Indian and Alaska Native firms generated, on average, about \$133,000 in gross receipts in 2002.

The extent of formation of new minority firms may have posed a challenge in the generation of greater gross receipts, since start-ups tend to earn less or have negative returns on their investment during their first few years of operation. Also, lack of access to financing, and such trends as supplier consolidation, contract bundling, and global outsourcing, may have impacted the growth of minority firms. Further research is needed to identify more clearly the challenges behind the performance of minority firms.

Table 2: Change in Average Gross Receipts, 1997-2002<sup>12</sup>

Group	1997 Average Gross Receipts	2002 Average Gross Receipts	% Change
African American	\$86,478	\$74,127	-14%
American Indian and Alaska Native	\$174,069	\$133,439	
Asian	\$338,852	\$295,559	-13%
Hispanic	\$155,242	\$141,063	-9%
Native Hawaiian and Other Pacific Islander	\$213,648	\$147,837	-31%
All Minority	\$194,555	\$162,761	-16%
All Non-Minority Firms	\$448,283	\$442,190	-1%
Classifiable Firms	\$410,559	\$391,156	-5%
All U.S. Firms	\$891,043	\$984,874	11%

### *Growth in Paid Employees*

Between 1997 and 2002, minority-owned firms outperformed non-minority firms in the growth of paid employees. Minority firms employed over 4.7 million people in 2002, compared to 4.5 million in 1997. This represents an increase of 5 percent in paid employees. In comparison, the number of paid employees declined for non-minority firms by 7 percent, from 54.4 million in 1997 to 50.7 million in 2002.

Hispanic-owned firms exceeded the growth rate of all U.S. firms with respect to employees. Hispanic firms employed over 1.5 million people in 2002 and 1.4 million in 1997, an 11 percent increase. African American-owned firms followed with over 756,000 paid employees in 2002, a 5 percent increase from 1997.

Asian-owned firms employed the largest number of people, 2.2 million in 2002. This represents nearly 50 percent of all employees hired by minority-owned firms.

Despite their growth in number of firms (49 percent) and gross receipts (3 percent), businesses owned by Native Hawaiian and Other Pacific Islanders experienced a decrease in employees. These firms employed 34,000 persons in 1997 but only 29,000 in 2002, a 14 percent decline during the five-year period. American Indian and Alaska Native businesses employed over 191,000 people in 2002.

MBEs employed more people as a percentage of their share of gross receipts when compared to classifiable firms. While MBEs' gross receipts represented 8 percent of these firms' gross receipts, MBEs' number of paid employees accounted for 9 percent of these firms' paid employees.

<sup>12</sup> Due to the exclusion of tribally held governments in 2002, data for American Indian and Alaska Native firms for 1997 and 2002 are not directly comparable, and therefore the percent change for that period is not represented.

For every \$141,000 generated by a minority business enterprise, there is one paid employee. While for every \$160,000 grossed by all non-minority firms, one person is employed.

Moreover, MBEs allocate less money in payroll on average compared to non-minority firms. Minority firms allocate on average \$25,000 in payroll per paid employee, while non-minority firms assign on average \$30,000.

Minority entrepreneurs generally hire more minorities than non-minority business owners. Studies indicate that minority-owned firms, specifically African American-owned firms, hired a workforce that was predominantly minority, while non-minority firms employed more non-minorities than minorities.<sup>13</sup> Given historically higher unemployment rates of African Americans and Hispanics when compared to the U.S. unemployment rate, the ability of minority entrepreneurs to employ a large workforce is critical to the economic strength of minority communities and the country overall.

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<sup>13</sup> Bates (2006).



## Entrepreneurial Parity

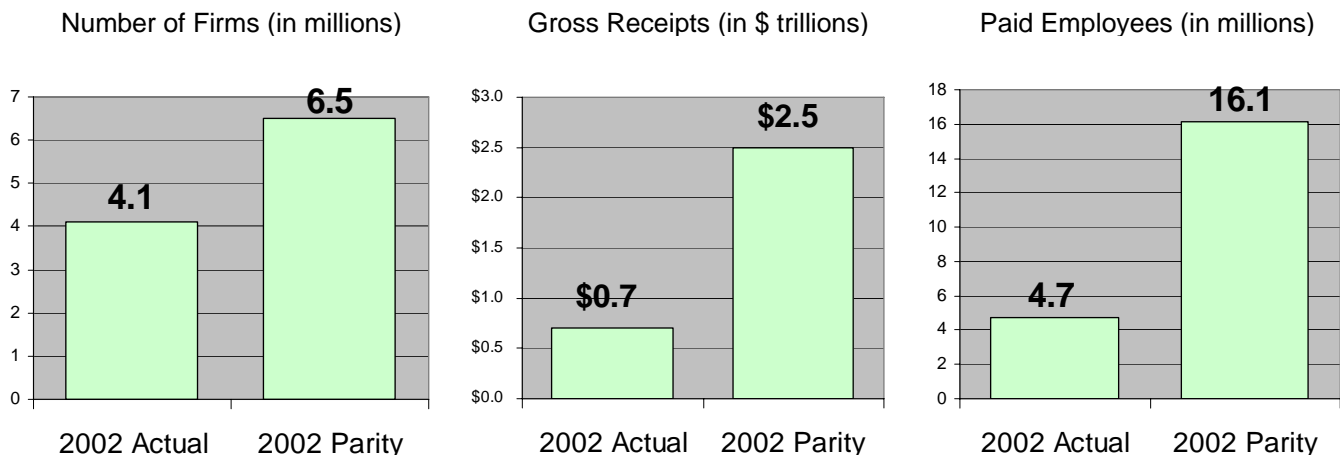
Despite the accelerated growth in number of firms, minority-owned firms have yet to reach entrepreneurial parity within the group of classifiable firms, as compared to the representation of minorities in the U.S. population. While the parity gap for MBEs in terms of the number of firms drew closer between 1997 and 2002, it slightly widened in terms of gross receipts and paid employees during the same period.

MBDA defines parity as an economic benchmark whereby minority business enterprises are contributing to the U.S. economy at a rate comparable to the percentage of the U.S. minority population. Parity is measured by reaching proportionality between the percentage of the minority population 18 years old and over, and the percentage share of minority-owned firms in business development measures such as numbers of firms, gross receipts, and employment.<sup>14</sup>

According to U.S. Census population estimates, in 2002 the minority population age 18 and older in the United States represented over 62 million people or 29 percent of the total U.S. population 18 years and older. However, minority-owned firms that year accounted for only 18 percent (4.1 million firms) of classifiable firms in that same year. These firms also generated only 8 percent (about \$668.3 billion) of classifiable firms' gross receipts, and employed only 9 percent (almost 4.8 million people) of classifiable firms' paid employees.

If minority-owned firms had reached entrepreneurial parity, there would be about 6.5 million (2.4 million more) minority business enterprises. Gross receipts would have reached \$2.5 trillion (1.9 trillion more), and these firms would have employed 16.1 million people (11.3 million more). (Chart 2)

**Chart 2: Number of Minority Firms (in millions), Total Receipts (in \$ trillions), and Paid Employment (in millions) for Minority Firms<sup>15</sup>**

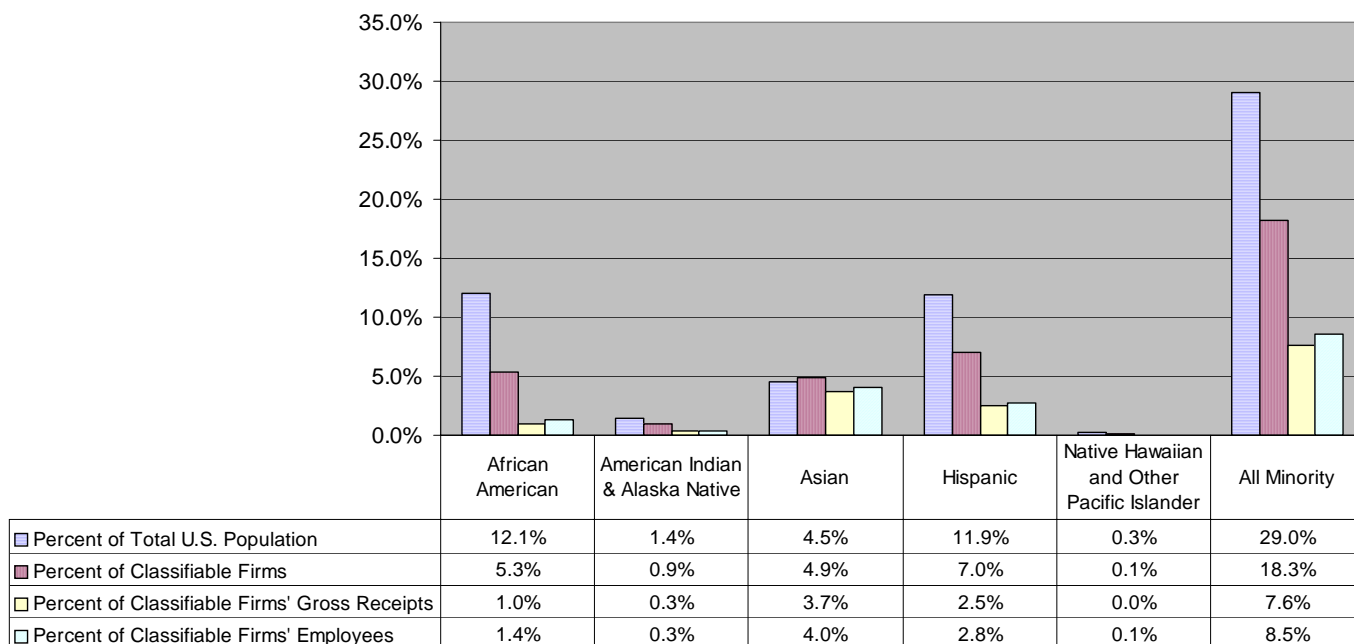


<sup>14</sup> Because individuals under the age of 18 are highly unlikely to be business owners, that segment of the population was excluded to provide a more accurate measure for entrepreneurial parity.

<sup>15</sup> Parity figures were based on totals for 'classifiable firms.' The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender.

No minority group has reached parity in gross receipts and employment compared to that group's population. However, the Asian community has reached parity in the number of firms compared to their population share. The Asian population 18 years and above represented 4.5 percent of the U.S. population of the same age group, and owned 4.9 percent of all U.S. businesses. No other minority group independently has attained proportionality between the number of firms and their representation in the U.S. population. (Chart 3)

Chart 3: Percentage of Minority Population, Number of Firms and Gross Receipts, 2002<sup>16</sup>



Moreover, while the gap in entrepreneurial parity narrowed in terms of number of firms, it remained unchanged for paid employees and slightly widened for gross receipts between 1997 and 2002.

While MBEs required 2.3 million (75 percent) more firms to reach parity in 1997, 2.4 million (only 59 percent) more were required in 2002. However, an additional \$1.6 trillion (270 percent) in gross receipts would have been needed to reach parity in 1997, compared to \$1.9 trillion more (281 percent) in 2002, and 11.3 million more (240 percent) paid employees would have been required to attain parity in 1997, instead of 10.8 million more (240 percent) in 1997. The minority population represented 26 percent of the total population 18 years and older in 1997. (Charts 4, 5, and 6)

Further analysis is required to explain why MBEs are growing in number but not fast enough in size of receipts and paid employees. The relatively large growth in number of smaller MBEs grossing less than \$25,000 annually, lack of capital, consolidation of suppliers, global competition, and other factors may be affecting this performance.

<sup>16</sup> Population estimates for group comparisons are for ages 18 and older. Percent of total U.S. firms excludes publicly held, foreign-owned, not-for-profit and other firms not classifiable by race and Hispanic or Latino origin.

Chart 4: Parity Comparison for Number of Minority Firms (in millions)

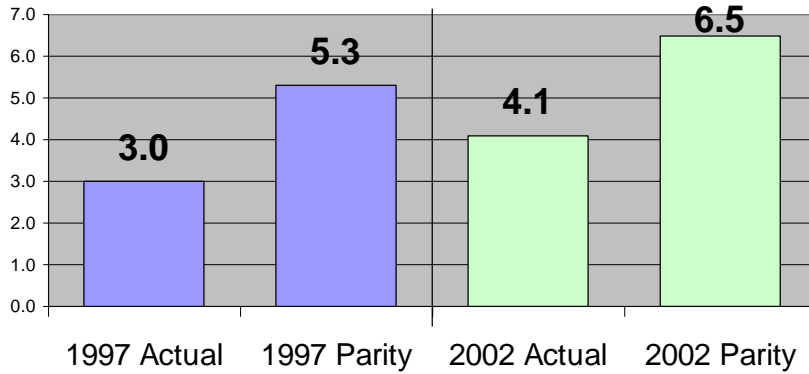


Chart 5: Parity Comparison for Total Receipts for Minority Firms (in \$ trillions)

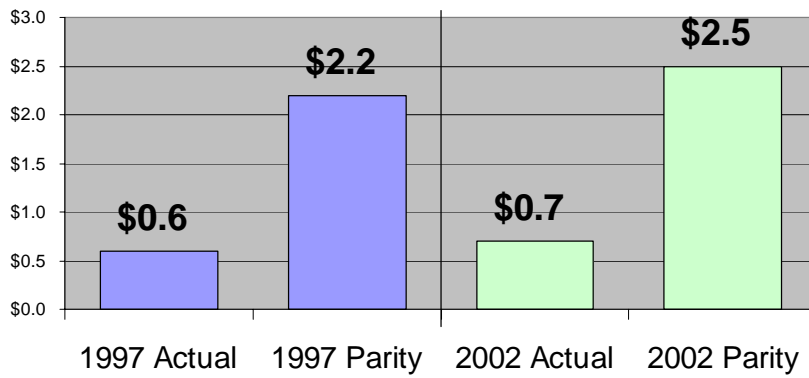
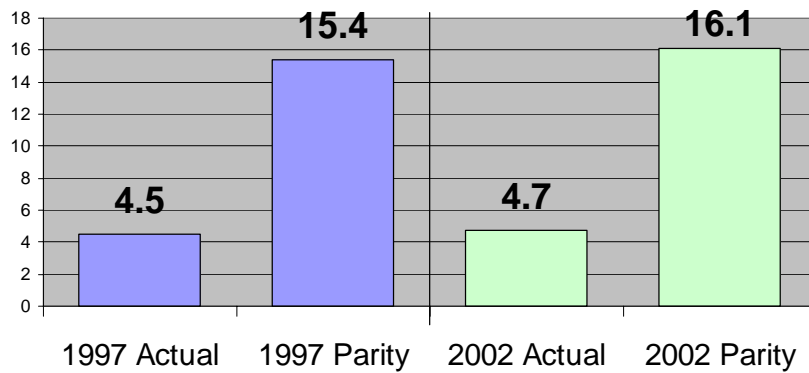


Chart 6: Parity Comparison for Paid Employment for Minority Firms (in millions)



# Geographic Picture

## *States*

Minority business enterprises exist in all 50 states and the District of Columbia, with various degrees of concentration. In 2002, most MBEs were located in the states of California (957,000), Texas (504,000), New York (453,000), and Florida (421,000). In fact, almost 57 percent of all MBEs were located in these four states and over 23 percent in California alone. In 2002, 47 percent of the minority population in the United States resided in these four states. (Table 3a)

Moreover, all five minority groups surveyed by the U.S. Census had the highest concentration of their businesses in California, Texas, and New York. In 2002, four minority groups, African Americans, American Indian and Alaska Natives, Hispanics, and Native Hawaiian and Other Pacific Islanders, included Florida in the top five states where their businesses were located. In addition, over 74 percent of firms owned by Hispanic and Native Hawaiian and Other Pacific Islanders were located in the top five states for their respective group's concentration.

The representation of minority-owned firms in terms of number of firms was smaller than the percentage share of the minority population in each of the 50 states and in the District of Columbia. This illustrates that minorities have not reached entrepreneurial parity based on the number of minority firms in any state or the District of Columbia. (Table 4)

## *Growth in Number of Firms*

In 44 states and the District of Columbia, MBEs grew in number at a more rapid rate than the 6 percent national growth rate for non-minority firms between 1997 and 2002. In addition, MBEs also increased their number of firms at a faster pace in 40 states and the District of Columbia compared to the rate of increase for classifiable firms (10 percent) and all U.S. firms<sup>17</sup> (10 percent) during that same period.

Nevada enjoyed the highest growth rate in number of minority firms, 66 percent, followed by Georgia (58 percent), New York (53 percent), Rhode Island (48 percent), and Florida and Minnesota (both at 47 percent). By comparison, the minority population grew in Nevada by 69 percent, in Georgia by 32 percent, in New York by 21 percent, in Rhode Island by 55 percent, in Florida by 34 percent and in Minnesota by 64 percent, between 1997 and 2002. (Table 6)

New Mexico, Hawaii, Idaho, New Hampshire, and Iowa showed increases in the number of MBEs, at a growth rate of 8 percent, 7 percent, 7 percent, 7 percent, and 5 percent, respectively, lower than the national average for all U.S. firms.

Five states experienced a decline in the number of minority firms during the same period. Vermont, Alaska, West Virginia, Maine, and North Dakota saw declines in the number of minority firms of 32 percent, 12 percent, 12 percent, 8 percent, and 6 percent, respectively. American Indian and Alaska Native businesses decreased in these five states, from 1997 to 2002. New U.S. Census survey questions, which excluded tribally owned businesses from the

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<sup>17</sup> This is true for all U.S. firms including or excluding publicly held, foreign-owned, not-for-profit, and other not classifiable firms by race, ethnicity, and gender.

2002 SBO survey, may have contributed, in part, to the decline in American Indian and Alaska Native businesses, as noted earlier. In addition to these firms, Hispanic-owned firms also decreased in number in North Dakota, between 1997 and 2002.

Table 3a: Top Five States for Minority Firm Concentration, 2002<sup>18</sup>

State Ranking	State	Number of Firms	Percentage of Firms in Minority Group
<b>All Minority</b>			
1	California	957,214	23.3%
2	Texas	503,683	12.3%
3	New York	452,645	11.0%
4	Florida	421,487	10.3%
5	Illinois	156,761	3.8%
	<b>Total</b>	<b>2,491,790</b>	<b>60.7%</b>
<b>African American</b>			
1	New York	129,324	10.8%
2	California	112,873	9.4%
3	Florida	102,079	8.5%
4	Georgia	90,461	7.6%
5	Texas	88,769	7.4%
	<b>Total</b>	<b>523,506</b>	<b>43.7%</b>
<b>American Indian &amp; Alaska Native</b>			
1	California	38,125	18.9%
2	Oklahoma	17,097	8.5%
3	Texas	16,204	8.0%
4	New York	11,158	5.5%
5	Florida	9,923	4.9%
	<b>Total</b>	<b>92,507</b>	<b>45.9%</b>
<b>Asian</b>			
1	California	371,415	33.6%
2	New York	145,519	13.2%
3	Texas	77,980	7.1%
4	New Jersey	51,948	4.7%
5	Hawaii	44,969	4.1%
	<b>Total</b>	<b>691,831</b>	<b>62.7%</b>
<b>Hispanic</b>			
1	California	427,727	27.2%
2	Texas	319,339	20.3%
3	Florida	266,727	17.0%
4	New York	163,639	10.4%
5	New Jersey	49,841	3.2%
	<b>Total</b>	<b>1,227,273</b>	<b>78.0%</b>
<b>Native Hawaiian &amp; Other Pacific Islander</b>			
1	Hawaii	8,359	28.9%
2	California	7,074	24.4%
3	New York	3,005	10.4%
4	Florida	1,480	5.1%
5	Texas	1,391	4.8%
	<b>Total</b>	<b>21,309</b>	<b>73.6%</b>

<sup>18</sup> Available relative standard errors for the data in this table are found in Table 3b on page 42.

Table 4: Share of Minority Firms and Minority Population by State, 2002<sup>19</sup>

State	Number of Minority Firms	State Share	Minority Population (Numbers in thousands)	State Share
Alabama	38,464	12.73%	1,356	30.22%
Alaska	9,378	15.57%	209	32.47%
Arizona	58,552	15.78%	2,066	37.86%
Arkansas	15,427	7.58%	599	22.11%
California	957,214	33.61%	19,084	54.35%
Colorado	46,352	10.24%	1,198	26.59%
Connecticut	28,262	9.68%	802	23.17%
Delaware	7,049	11.91%	225	27.90%
District of Columbia	17,039	38.74%	412	72.24%
Florida	421,487	27.96%	6,050	36.20%
Georgia	140,316	21.30%	3,246	37.92%
Hawaii	58,132	60.36%	953	76.52%
Idaho	5,501	4.65%	168	12.53%
Illinois	156,761	16.80%	4,171	33.10%
Indiana	27,697	6.55%	897	14.57%
Iowa	5,579	2.44%	231	7.88%
Kansas	13,991	6.58%	481	17.70%
Kentucky	14,306	4.88%	452	11.03%
Louisiana	58,891	18.39%	1,697	37.85%
Maine	2,601	1.97%	46	3.59%
Maryland	114,744	26.60%	2,090	38.30%
Massachusetts	49,242	8.99%	1,181	18.37%
Michigan	75,051	10.46%	2,167	21.56%
Minnesota	22,382	5.18%	624	12.43%
Mississippi	30,052	16.48%	1,144	39.85%
Missouri	30,158	7.06%	938	16.53%
Montana	3,726	3.83%	98	10.73%
Nebraska	5,950	4.24%	232	13.40%
Nevada	25,172	15.35%	778	35.80%
New Hampshire	3,457	2.84%	65	5.10%
New Jersey	141,132	20.45%	2,999	34.91%
New Mexico	40,579	30.55%	1,037	55.93%
New York	452,645	27.20%	7,462	38.95%
North Carolina	81,021	12.92%	2,546	30.60%
North Dakota	1,439	2.66%	54	8.54%
Ohio	59,859	7.51%	1,852	16.21%
Oklahoma	34,849	12.23%	922	26.39%
Oregon	21,046	7.22%	607	17.24%
Pennsylvania	58,698	6.90%	2,006	16.27%
Rhode Island	7,058	8.35%	193	18.08%
South Carolina	37,520	13.19%	1,415	34.45%
South Dakota	2,093	3.13%	94	12.34%
Tennessee	42,012	9.44%	1,230	21.21%
Texas	503,683	29.65%	10,648	48.89%
Utah	10,221	5.47%	360	15.52%
Vermont	1,438	2.06%	24	3.90%
Virginia	93,691	18.21%	2,225	30.51%
Washington	50,586	11.14%	1,314	21.66%
West Virginia	3,770	3.45%	99	5.52%
Wisconsin	18,012	4.71%	720	13.23%
Wyoming	2,489	4.84%	57	11.36%

<sup>19</sup> Population estimates are for all ages. State share of minority firms represents minority firms as a percentage of all firms in the state.

Table 5a: Minority Firms by State and Race or Hispanic Origin, 2002<sup>20</sup>

State	All Minority	African American	American Indian & Alaska Native	Asian	Hispanic	Native Hawaiian & Other Pacific Islander
Alabama	38,464	28,666	2,910	4,269	2,523	96
Alaska	9,378	926	5,151	1,908	1,241	152
Arizona	58,552	6,337	6,548	10,215	35,104	348
Arkansas	15,427	8,942	2,278	2,052	2,094	61
California	957,214	112,873	38,125	371,415	427,727	7,074
Colorado	46,352	7,066	3,931	10,910	24,054	391
Connecticut	28,262	10,309	1,208	7,170	9,408	167
Delaware	7,049	4,258	S	1,895	879	17
District of Columbia	17,039	12,198	220	2,411	2,162	48
Florida	421,487	102,079	9,923	41,278	266,727	1,480
Georgia	140,316	90,461	4,453	26,916	18,310	176
Hawaii	58,132	817	892	44,969	3,095	8,359
Idaho	5,501	373	1,143	1,111	2,775	99
Illinois	156,761	68,704	3,379	44,480	39,542	656
Indiana	27,697	14,068	1,957	6,077	5,481	114
Iowa	5,579	1,610	640	1,776	1,536	17
Kansas	13,991	4,468	1,727	3,564	4,188	44
Kentucky	14,306	7,592	1,324	3,236	2,094	60
Louisiana	58,891	40,243	2,705	8,218	7,645	80
Maine	2,601	327	680	834	731	29
Maryland	114,744	69,410	3,589	26,309	15,353	83
Massachusetts	49,242	12,818	2,231	18,063	15,922	208
Michigan	75,051	44,366	5,361	15,286	9,842	196
Minnesota	22,382	7,837	2,742	7,700	3,984	119
Mississippi	30,052	25,002	684	2,914	1,326	126
Missouri	30,158	16,750	3,280	6,380	3,652	96
Montana	3,726	220	1,990	512	964	40
Nebraska	5,950	2,091	428	1,456	1,966	9
Nevada	25,172	4,343	1,904	8,872	9,740	313
New Hampshire	3,457	470	529	1,528	913	17
New Jersey	141,132	36,282	2,613	51,948	49,841	448
New Mexico	40,579	1,541	6,826	2,364	29,708	140
New York	452,645	129,324	11,158	145,519	163,639	3,005
North Carolina	81,021	52,122	5,971	13,694	9,043	191
North Dakota	1,439	78	852	277	230	2
Ohio	59,859	35,658	3,123	13,740	7,109	229
Oklahoma	34,849	7,441	17,097	4,587	5,442	282
Oregon	21,046	2,222	3,061	9,053	6,360	350
Pennsylvania	58,698	24,757	S	22,627	11,023	291
Rhode Island	7,058	1609	445	1,544	3,415	45
South Carolina	37,520	28,613	1,441	4,410	3,015	41
South Dakota	2,093	122	1,303	300	355	13
Tennessee	42,012	26,811	3,565	7,241	4,301	94
Texas	503,683	88,769	16,204	77,980	319,339	1,391
Utah	10,221	649	1,145	2,821	5,177	429
Vermont	1,438	211	299	433	452	43
Virginia	93,691	41,149	2,669	30,462	18,988	423
Washington	50,586	6,985	5,731	26,880	10,262	728
West Virginia	3,770	1,473	405	1,234	648	10
Wisconsin	18,012	6,685	2,517	4,956	3,750	104
Wyoming	2,489	149	596	401	1,320	23

<sup>20</sup> S = Estimates are suppressed when publication standards are not met. Available relative standard errors for the data in this table are found in Table 5b on page 43.

## *Growth in Gross Receipts*

Some of the states that experienced a decrease in the number of minority-owned firms led the growth in gross receipts from 1997 to 2002. This is the case for MBEs in Alaska and Wyoming, which increased their annual gross receipts by 57 percent and 62 percent, respectively. Nebraska, South Carolina, and Virginia also led the growth in gross receipts by 121 percent, 72 percent, and 52 percent, respectively. Further research regarding kinds of businesses and other variables is needed to explain this business performance. (Table 6)

MBEs in 20 states matched or surpassed the 22 percent growth rate of gross receipts of all U.S. firms, including publicly held firms, non-profit, and foreign firms. Moreover, MBEs in 14 of the 20 states had a higher growth rate in gross receipts than in number of firms during the same period. The 14 states include Alaska, Arkansas, Colorado, Idaho, Indiana, Kentucky, Montana, Nebraska, New Mexico, North Carolina, South Carolina, Utah, Virginia, and Wyoming.

From 1997 until 2002, MBEs had lower growth in receipts than those generated by non-minority firms in only 11 states. Minority firms in these states also saw decreases in gross receipts, but MBEs increased in number in eight of these states during the same period: Connecticut, Delaware, Hawaii, New Hampshire, Ohio, Rhode Island, Washington, and Wisconsin.

**Table 6: Change in Minority Firms, Gross Receipts and Population, 1997-2002<sup>21</sup>**

State	Change in Number of Firms	Change in Gross Receipts	Change in Minority Population	State	Change in Number of Firms	Change in Gross Receipts	Change in Minority Population
Alabama	36%	35%	13%	Montana	11%	20%	29%
Alaska	-12%	57%	25%	Nebraska	28%	121%	42%
Arizona	35%	10%	44%	Nevada	66%	23%	69%
Arkansas	18%	24%	26%	New Hampshire	7%	-19%	65%
California	30%	8%	21%	New Jersey	38%	21%	22%
Colorado	25%	46%	47%	New Mexico	8%	23%	17%
Connecticut	38%	-11%	30%	New York	53%	8%	21%
Delaware	32%	-22%	26%	North Carolina	32%	41%	30%
District of Columbia	12%	4%	8%	North Dakota	-6%	4%	22%
Florida	47%	15%	34%	Ohio	21%	-6%	17%
Georgia	58%	43%	32%	Oklahoma	22%	10%	39%
Hawaii	7%	-1%	13%	Oregon	16%	11%	61%
Idaho	7%	22%	46%	Pennsylvania	19%	21%	23%
Illinois	42%	14%	24%	Rhode Island	48%	-10%	55%
Indiana	22%	25%	32%	South Carolina	22%	72%	16%
Iowa	5%	21%	56%	South Dakota	27%	15%	27%
Kansas	20%	8%	41%	Tennessee	29%	22%	23%
Kentucky	13%	35%	33%	Texas	38%	7%	26%
Louisiana	41%	17%	8%	Utah	19%	39%	62%
Maine	-8%	-1%	66%	Vermont	-32%	-62%	69%
Maryland	39%	25%	19%	Virginia	31%	52%	24%
Massachusetts	26%	24%	31%	Washington	18%	-4%	45%
Michigan	45%	5%	18%	West Virginia	-12%	-9%	28%
Minnesota	47%	4%	64%	Wisconsin	32%	-11%	37%
Mississippi	37%	41%	10%	Wyoming	16%	62%	26%
Missouri	14%	13%	24%				

<sup>21</sup> Population estimates were for all ages.



## Combined Statistical Areas

The following five combined statistical areas (CSAs) had the largest number of minority business enterprises (MBEs): Los Angeles-Long Beach-Riverside, California - CSA; New York-Newark-Bridgeport, New York-New Jersey-Connecticut-Pennsylvania - CSA; Miami-Fort Lauderdale-Miami Beach, Florida - MeSA<sup>22</sup>; San Jose-San Francisco-Oakland, California - CSA; and the Washington-Baltimore-Northern Virginia, DC-Maryland-Virginia-West Virginia - CSA. These five regions combined had almost 1,805,000 MBEs, representing 44 percent of all MBEs in the United States. (Table 7a)

The five racial and ethnic minority groups surveyed by the U.S. Census had the highest concentration of their businesses in the Los Angeles-Long Beach-Riverside, California – CSA, and the New York-Newark-Bridgeport, New York-New Jersey-Connecticut-Pennsylvania - CSA.

The San Jose-San Francisco-Oakland, California - CSA is among one of the five CSAs with highest concentration of firms owned by four minority groups, Asians, American Indians and Alaska Natives, Hispanics and Native Hawaiians and Other Pacific Islanders. In addition, African Americans, American Indians and Alaska Natives, and Asians, included the Washington-Baltimore-Northern Virginia, DC-Maryland-Virginia-West Virginia - CSA among the top five CSAs where their businesses were located.

Additionally, over 50 percent of the Asian, Hispanic, and Native Hawaiian and Other Pacific Islander firms were located in the top five CSAs for their respective group's firm concentration.

Table 7a: Top Five Combined Statistical Areas (CSAs) for Minority Firm Concentration, 2002<sup>23</sup>

CSA Ranking	CSA	Number of Firms	Percentage of Firms in Minority Group
<b>All Minority</b>			
1	Los Angeles-Long Beach-Riverside, CA - CSA	580,960	14.1%
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	569,311	13.9%
3	Miami-Fort Lauderdale-Miami Beach, FL - MeSA	284,736	6.9%
4	San Jose-San Francisco-Oakland, CA - CSA	181,760	4.4%
5	Washington-Baltimore-Northern Virginia, DC-MD-VA-WV - CSA	190,387	4.6%
	<b>Total</b>	<b>1,804,913</b>	<b>44.0%</b>
<b>African American</b>			
1	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	155,271	13.0%
2	Washington-Baltimore-Northern Virginia, DC-MD-VA-WV - CSA	92,267	7.7%
3	Los Angeles-Long Beach-Riverside, CA - CSA	70,353	5.9%
4	Atlanta-Sandy Springs-Gainesville, GA-AL - CSA	64,875	5.4%
5	Chicago-Naperville-Michigan City, IL-IN-WI - CSA	64,844	5.4%
	<b>Total</b>	<b>447,610</b>	<b>37.4%</b>

<sup>22</sup> Data were not provided for Hilo, Honolulu, and Miami as CSAs, therefore, data at the MeSA level or MiSA level for these statistical areas were used instead. CSAs are given as defined by the Office of Management and Budget.

<sup>23</sup> Available relative standard errors for the data in this table are found in Table 7b on page 44.

CSA Ranking	CSA	Number of Firms	Percentage of Firms in Minority Group
<b>American Indian &amp; Alaska Native</b>			
1	Los Angeles-Long Beach-Riverside, CA - CSA	20,380	10.1%
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	12,311	6.1%
3	San Jose-San Francisco-Oakland, CA - CSA	6,549	3.3%
4	Tulsa-Bartlesville, OK - CSA	4,745	2.4%
5	Washington-Baltimore-Northern Virginia, DC-MD-VA-WV - CSA	4,699	2.3%
	<b>Total</b>	<b>48,684</b>	<b>24.2%</b>
<b>Asian</b>			
1	Los Angeles-Long Beach-Riverside, CA - CSA	209,229	18.9%
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	187,480	17.0%
3	San Jose-San Francisco-Oakland, CA - CSA	104,424	9.5%
4	Washington-Baltimore-Northern Virginia, DC-MD-VA-WV - CSA	49,798	4.5%
5	Chicago-Naperville-Michigan City, IL-IN-WI - CSA	41,096	3.7%
	<b>Total</b>	<b>592,027</b>	<b>53.6%</b>
<b>Hispanic</b>			
1	Los Angeles-Long Beach-Riverside, CA - CSA	277,908	17.7%
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	211,075	13.4%
3	Miami-Fort Lauderdale-Miami Beach, FL - MeSA	206,048	13.1%
4	Houston-Baytown-Huntsville, TX - CSA	75,562	4.8%
5	San Jose-San Francisco-Oakland, CA - CSA	53,488	3.4%
	<b>Total</b>	<b>824,081</b>	<b>52.4%</b>
<b>Native Hawaiian &amp; Other Pacific Islander</b>			
1	Honolulu, HI - MeSA	5,052	17.5%
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	3,174	11.0%
3	Los Angeles-Long Beach-Riverside, CA - CSA	3,090	10.7%
4	San Jose-San Francisco-Oakland, CA - CSA	2,078	7.2%
5	Hilo, HI - MiSA	1,548	5.3%
	<b>Total</b>	<b>14,942</b>	<b>51.6%</b>

## Industry Picture

Both minority-owned firms and the larger group of classifiable firms<sup>24</sup> had the highest concentration of firms in the professional, scientific, and technical services industry and other services. The other services industry sector includes such companies as those operating in repair and maintenance, as well as personal and laundry services. (See footnote 26)

In 2002, most firms owned by minorities were in the following industry sectors: other services (16.4 percent of all minority firms) health care and social assistance (14 percent); professional, scientific, and technical services (10.6 percent); retail trade (10.5 percent); and administrative support, waste management, and remediation services (9.8 percent).

African American firms had the highest concentration of firms in health care and social assistance, with over 20 percent of the firms in this sector. The largest concentration of American Indian and Alaska Native firms is in the construction industry, with over 16 percent. For Asian-owned and Hispanic-owned firms, most firms were in other services, 17 percent and almost 16 percent, respectively, than in any other industry sector. Additionally, Native Hawaiian and Other Pacific Islander businesses were more prevalent in the retail trade industry, accounting for 16 percent of this group's firms. (Table 8a)

Other industries that ranked in the top five based on the concentration of firms owned by a particular minority group included accommodation and food services for Asian-owned firms (9.5 percent), and real estate and rental and leasing, for Native Hawaiian and Other Pacific Islanders (6.4 percent).

In comparison, classifiable firms exhibited the highest concentration in the following sectors: professional, scientific and technical services (14.4 percent); construction (12.2 percent), retail trade (11.4 percent); other services (11.8 percent); and real estate and rental and leasing (9.1 percent). (Chart 7)

Minority entrepreneurs also exhibited a higher share of businesses in health care and social assistance; administrative support, waste management, and remediation services; transportation and warehousing; accommodation and food services; and other services, compared the share of classifiable firms in those industries.

Data on industries from the 2002 SBO is not directly comparable to the 1997 SMOBE because each survey used a different industrial classification system.<sup>25</sup>

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<sup>24</sup> The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender.

<sup>25</sup> The 1997 SMOBE is based on the 1987 Standard Industrial Classification (SIC) system, and the 2002 SBO uses the newer North American Industry Classification System (NAICS).

Table 8a: Top Five Industry Sectors for Minority Firm Concentration, 2002<sup>26</sup>

Industry Sector Ranking	Industry Sector	Number of Firms	Percentage of Firms in Minority Group
<b>All Minority</b>			
1	Other Services	675,099	16.4%
2	Health Care and Social Assistance	575,561	14.0%
3	Professional, Scientific, and Technical Services	434,089	10.6%
4	Retail Trade	429,270	10.5%
5	Administrative Support, Waste Management, and Remediation Services	401,596	9.8%
	<b>Total</b>	<b>2,515,615</b>	<b>61.3%</b>
<b>African American</b>			
1	Health Care and Social Assistance	245,767	20.5%
2	Other Services	210,498	17.6%
3	Administrative Support, Waste Management, and Remediation Services	121,143	10.1%
4	Professional, Scientific, and Technical Services	115,765	9.7%
5	Retail Trade	102,123	8.5%
	<b>Total</b>	<b>795,296</b>	<b>66.4%</b>
<b>American Indian &amp; Alaska Native</b>			
1	Construction	32,253	16.0%
2	Other Services	26,651	13.2%
3	Health Care and Social Assistance	24,428	12.1%
4	Professional, Scientific, and Technical Services	22,505	11.2%
5	Retail Trade	20,494	10.2%
	<b>Total</b>	<b>126,331</b>	<b>62.7%</b>
<b>Asian</b>			
1	Other Services	188,673	17.1%
2	Professional, Scientific, and Technical Services	154,235	14.0%
3	Retail Trade	151,551	13.7%
4	Health Care and Social Assistance	123,689	11.2%
5	Accommodation and Food Services	104,978	9.5%
	<b>Total</b>	<b>723,126</b>	<b>65.5%</b>
<b>Hispanic</b>			
1	Other Services	249,277	15.8%
2	Construction	212,496	13.5%
3	Administrative Support, Waste Management, and Remediation Services	208,125	13.2%
4	Health Care and Social Assistance	181,677	11.5%
5	Retail Trade	151,501	9.6%
	<b>Total</b>	<b>1,003,076</b>	<b>63.7%</b>
<b>Native Hawaiian &amp; Other Pacific Islander</b>			
1	Retail Trade	3,601	12.4%
2	Administrative Support, Waste Management, and Remediation Services	3,362	11.6%
3	Professional, Scientific, and Technical Services	3,239	11.2%
4	Construction	2,853	9.9%
5	Real Estate and Rental and Leasing	1,851	6.4%
	<b>Total</b>	<b>14,906</b>	<b>51.5%</b>

<sup>26</sup> Other Services includes establishments not provided for elsewhere in the classification system that are engaged in activities such as equipment and machinery repairing, promoting religious activities, grant-making, advocacy, providing dry-cleaning and laundry services, personal care services, and dating services. It does not include public administration. Available relative standard errors for the data in this table are found in Table 8b on page 45.

Chart 7: Industries Distribution for Minority-Owned Firms, 2002

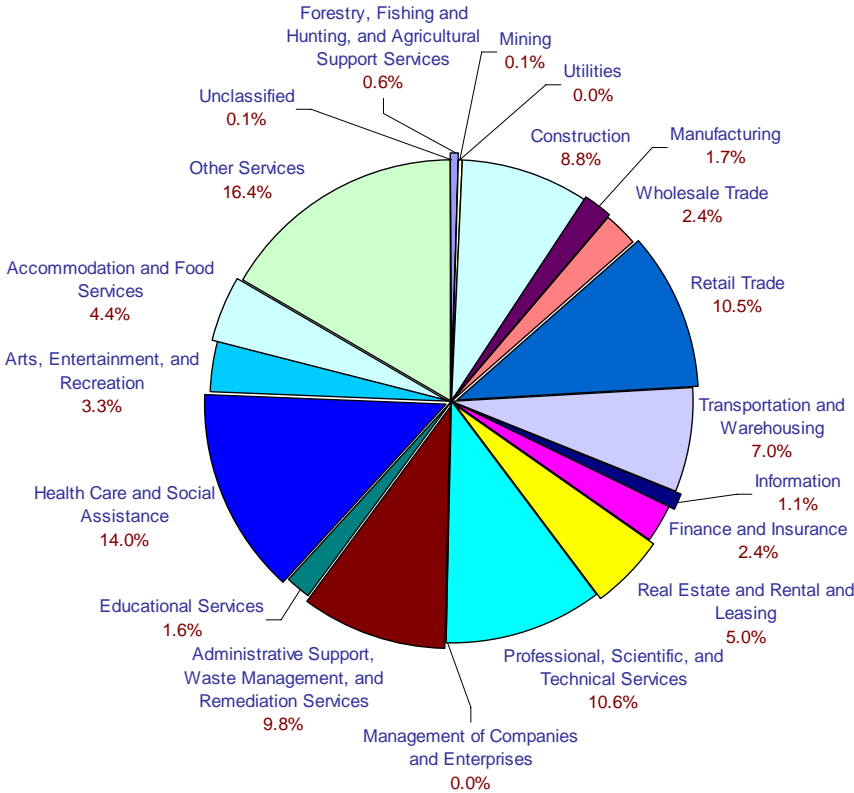
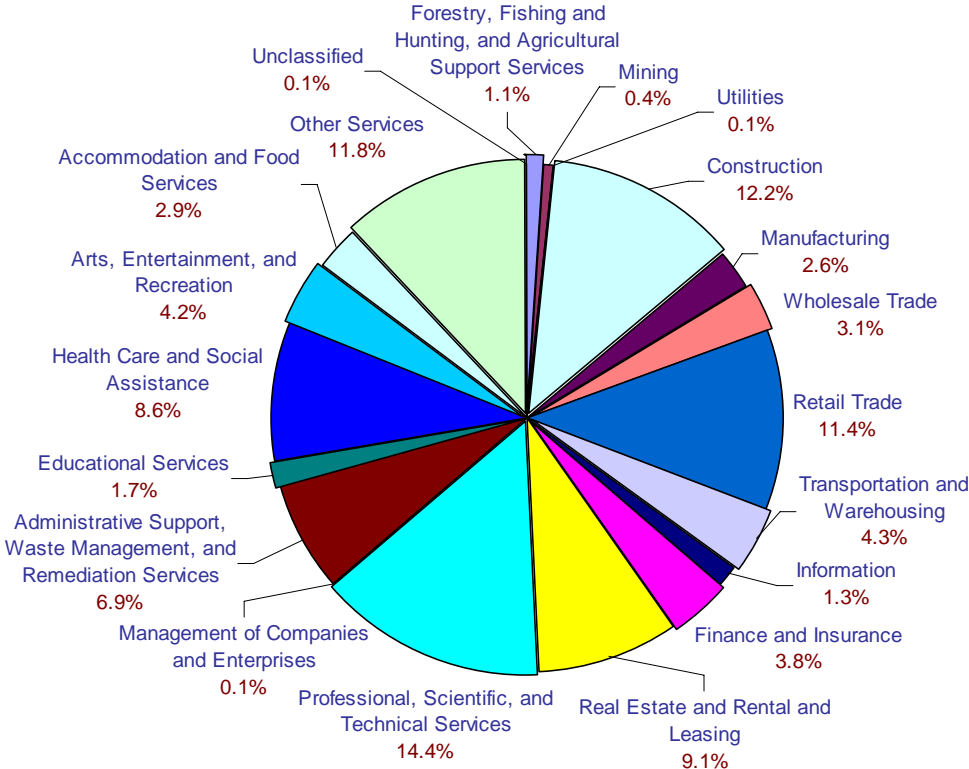


Chart 8: Industries Distribution for Classifiable Firms, 2002



## *Average Gross Receipts*

Among classifiable firms, minority firms continued to have lower average gross receipts than non-minority firms in 2002. The average gross receipts for all minority-owned business was about \$163,000 per firm, compared to \$442,000 for non-minority firms in 2002. Non-minority firms' average sales were 1.7 times larger (171 percent) than those of minority-owned firms in that same year.

Minority-owned firms generated on average lower gross receipts in all the industries included in the 2002 SBO survey than non-minority firms, with the exception of firms under the Management of Companies and Enterprises industry. Minority firms grossed a greater amount of average sales, \$1,339,000, in the Management of Companies and Enterprises industry, compared to \$1,163,000 for non-minority firms in that same industry, in 2002. However, we should note that there were only 960 minority firms in this industry in that year.

The highest gross receipts for minority firms were generated in the following industries: Wholesale Trade (\$1,376,000), Management of Companies and Enterprises (\$1,339,000), Manufacturing (\$737,000), and Mining (\$437,000). In comparison, non-minority firms grossed average sales of \$2,888,000 in Wholesale Trade, \$1,163,000 in Management of Companies and Enterprises, \$1,963,000 in Manufacturing, and \$534,000 in Mining.

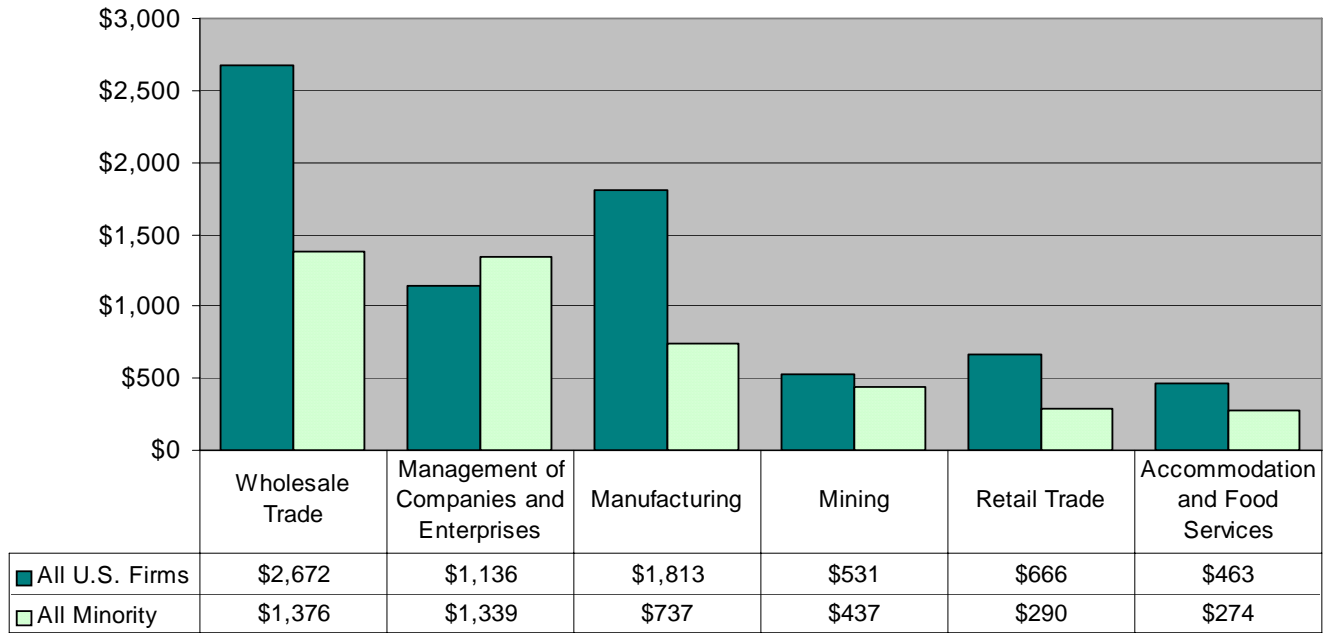
The gap in average gross receipts is narrower in some industries and wider in other sectors. For example, MBEs in Forestry, Fishing and Hunting, and Agricultural Support Services generated average gross receipts of about \$90,000 compared to \$115,000 for non-minority firms, only 28 percent more.

Average gross receipts for firms in the Professional, Scientific and Technical Services industry also had narrower gaps than the average for all industry sectors. Minority firms in the Professional, Scientific, and Technical Services grossed, on average, \$124,000, while non-minority firms in this sector grossed on average about \$188,000, 52 percent higher.

The gap in average gross receipts between minority and non-minority firms is greater in industries such as Utilities; Transportation; and in Administrative and Support and Waste Management and Remediation Services, among other. For example, in 2002 minority firms in the Utilities industry generated \$118,000 on average gross receipts compared to \$1 million for non-minority firms, 7.5 times more. In that same year, minority firms grossed \$77,000 on average sales in the Transportation industry, while non-minority firms in that same industry generated on average \$301,000, 2.9 times greater.

Further research of business industries is necessary to try to explain the differences in gross receipts between minority and non-minority firms.

Chart 9: Industries with the Highest Average Gross Receipts (in Thousands) for Minority Firms Compared to Classifiable Firms, 2002



## SGI Firms vs. Non-SGI Firms

MBDA defines companies under the Strategic Growth Initiative (SGI) as minority businesses that generate \$500,000 or more in annual gross receipts, and have a high potential for future growth. Generally companies in the high-tech sector, manufacturing, energy, and telecommunications industries, among others, are considered high growth firms. These companies also employ more people compared to other sectors, such as Professional Services, which may constitute of only one high-paid consultant.

Non-SGI firms are defined as minority companies, which gross less than \$500,000 in annual sales. Micro operations, which are generally run by an entrepreneur with few or no employees, and lifestyle companies, which are started by individuals to replace a salary, are examples of non-SGI firms.

For the purposes of this report, we defined SGI firms as minority firms grossing \$500,000 or more in annual receipts. Non-SGI firms are minority firms generating less than \$500,000 in annual sales.

SGI firms represented about 195,000 firms, generated \$498 billion in gross receipts, and employed 3.4 million people in 2002. These firms accounted for 10 percent of classifiable firms<sup>27</sup> grossing \$500,000 or more. SGI firms also represented 7 percent of all gross receipts generated and 7 percent of all workers paid by these larger classifiable firms. Non-SGI firms accounted for 3.9 million firms, grossed about \$170 billion in sales, and had about 1.3 million paid employees.

### *Growth in Number of Firms*

SGI firms grew slightly faster than non-minority firms in the same size category. SGI firms grew in number at a rate of 15 percent from 1997 to 2002, compared to the 13 percent growth of non-minority firms grossing \$500,000 or more.

On the other hand, non-SGI firms grew much faster during the same period, at a rate of 36 percent, compared to non-minority firms grossing less than \$500,000, which grew by 5 percent. Non-SGI firms also represented 95 percent of all minority-owned firms. (Chart 10 and 11)

### *Growth in Gross Receipts*

Between 1997 and 2002, SGI firms grew annual gross receipts at a faster pace than non-minority firms in the same size category. While SGI firms increased their receipts by 15 percent in 2002, non-minority firms of that size grew their sales by only 3 percent in that same period.

SGI firms also generated annual gross receipts which were more comparable to their growth in numbers than non-SGI firms, from 1997 to 2002. While SGI firms grew by 15 percent, their annual gross receipts grew by 11 percent. Gross receipts also represented 74 percent of all sales generated by minority-owned firms.

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<sup>27</sup> The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender.



Non-SGI firms increased in number by 36 percent but their gross receipts only grew by 19 percent during the same period. In comparison, non-minority firms grossing less than \$500,000 grew in number by 5 percent, and increased their annual receipts at a much faster pace, by 10 percent. (Chart 11)

### *Average Gross Receipts*

In 2002, the average gross receipts of SGI businesses was closer to that of non-minority firms grossing \$500,000 and more, as compared to non-minority firms of all sizes, which was 1.7 times larger (171 percent). SGI firms grossed \$2.6 million in average sales, while non-minority firms of that same size had average sales of \$4 million, only 57 percent greater.

Average gross sales of non-SGI were \$43,000 in 2002, compared to \$61,000 for non-minority firms generating less than \$500,000 in sales, a difference of 41 percent.

### *Growth in Paid Employees*

SGI firms outperformed non-minority firms of that same size in growth of paid employees, from 1997 to 2002. SGI firms grew their number of paid employees by 9 percent, while non-minority firms grossing \$500,000 or more in sales had a decline in paid workforce of 6 percent.

On the other hand, the number of employed people by non-SGI firms decreased by 8 percent, compared to a 12 percent decline for all smaller non-minority firms of that same size, between 1997 and 2002.

**Chart 10: SGI and Non-SGI Firms as a Percentage of All Minority Firms, 2002**

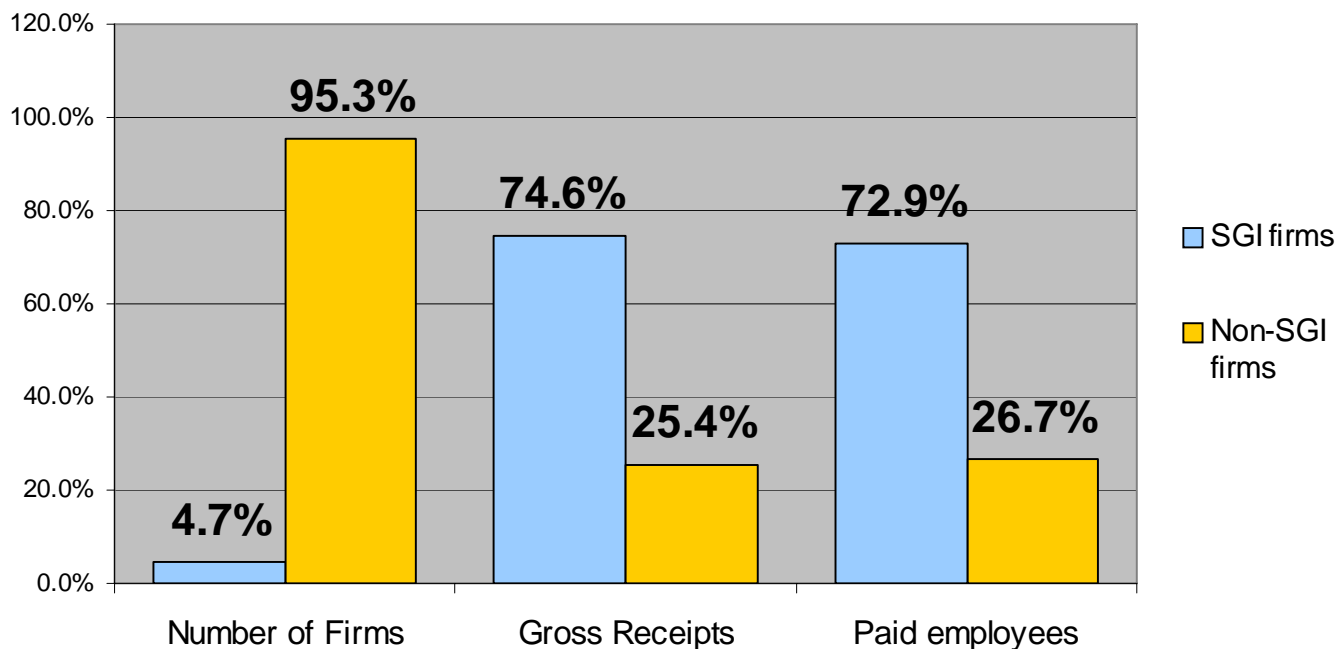
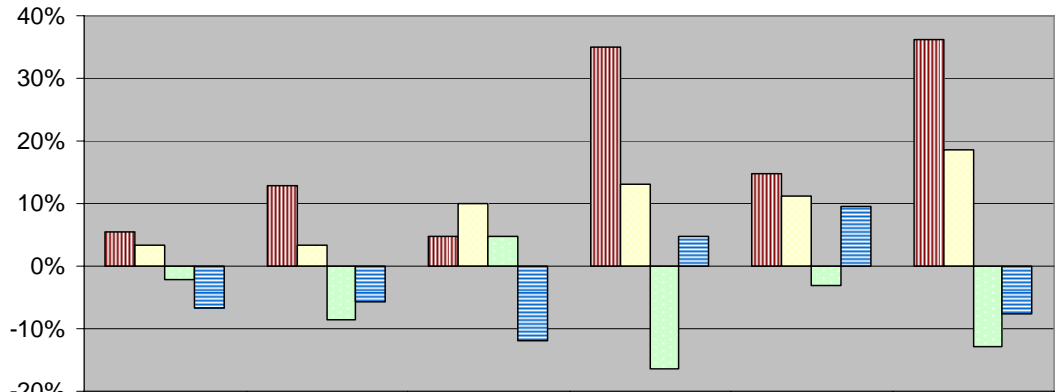


Chart II: Change in Number of Firms, Gross Receipts, Average Gross Receipts, and Paid Employment for All Minority and All Non-Minority Firms, 1997-2002



	All Non-minority, excluding publicly held	All Non-minority (\$500,000 and above)	All Non-minority (less than \$500,000)	All Minority	SGI firms	Non-SGI firms
Change in Number of Firms	6%	13%	5%	35%	15%	36%
Change in Gross Receipts of Firms	3%	3%	10%	13%	11%	19%
Change in Average Gross Receipts	-2%	-9%	5%	-16%	-3%	-13%
Change in Paid Employment	-7%	-6%	-12%	5%	9%	-8%

## Conclusion

There is a continuous need to implement programs that address the needs of minority business enterprises to help them grow faster, particularly in annual sales and employment, and to close the entrepreneurial parity gap.

MBEs are growing more rapidly in number, but their average gross sales, as well as their growth in gross receipts and paid employees is lagging behind their growth in number of firms. Challenges in developing capacity, including lack of capital access, globalization, increased contract bundling, intensified supply chain competition, and a larger share of minority start-ups, among others, may be affecting the performance of minority businesses. Further research is necessary to try to explain the issues that are slowing down the growth in gross receipts for MBEs.

MBEs are an engine of employment. Although minority-owned firms grossed less in annual receipts and average sales compared to non-minority firms, these firms employed more people as a share of receipts than non-minority firms, as well as compared to all U.S. firms in the U.S. economy. It is critical to facilitate programs that can help these firms grow to their full potential.

Strategic Growth Initiative firms grew faster in gross receipts and paid employees than minority firms grossing less than \$500,000 in sales, between 1997 and 2002. Programs tailored for SGI firms, such as those supported by the Minority Business Development Agency, are helping these firms gain the knowledge and access to the marketplace and capital, which are necessary to remain competitive.

While minorities have increased in population and number of firms, MBEs are not closing the parity gap in terms of gross receipts and paid employees when compared to the share of the minority population. This fact calls for action from government, educational institutions, and the private sector to find solutions that could address more effectively the challenges affecting the growth of minority-owned businesses.

# Methodology

## *Minority-Owned Firms*

The source for the number of minority-owned firms for 1997 is the U.S. Census Bureau's Survey of Minority-Owned Business Enterprises (SMOBE). The Census 2002 Survey of Business Owners did not provide data for minority-owned firms, but included data on firms owned by five separate minority groups (African American, American Indian and Alaska Native, Asian, Hispanic, and Native Hawaiian and Other Pacific Islander).

MBDA calculates the number of minority firms by adding up the five minority groups reported in the 2002 Survey of Business Owners (SBO). The total number of minority firms is slightly overrepresented because businesses that are owned by Hispanic or Latinos may be of any race. In addition, in accordance with the Office of Management and Budget guidelines, each owner in 2002 had the option of selecting more than one race; so therefore, businesses could be tabulated in more than one racial group. Owners that reported more than one race may be counted more than once in the report. Figures for 2002 business measures such as, annual receipts, paid employees average gross sales, and size of firm, of minority-owned firms are calculated using the same methodology as the number of minority-owned firms.

## *Non Minority-Owned Firms*

The source for the number of non minority-owned firms for 1997 is the U.S. Census Bureau's Survey of Minority-Owned Business Enterprises (SMOBE). MBDA calculates this number of non minority-owned firms by deducting from the number of all U.S. firms, the number of minority-owned firms and the number of firms that are publicly held, not-for-profit, foreign owned, and not classifiable by race or Hispanic or Latino origin.

To calculate the number of non-minority firms for 2002, MBDA deducts from the 2002 total number of all U.S. firms, the number of minority-owned firms, which is calculated as described previously. MBDA also deducts from the number of all U.S. firms the number of firms that are publicly held, not-for-profit, foreign owned, and not classifiable by race or Hispanic or Latino origin. Because business measures for minority-owned firms, including the number of firms, may be slightly overestimated, business measures for non-minority firms could also be underestimated by the same degree. Figures for 2002 annual receipts, paid employees, average gross sales, and size of firm, of non minority-owned firms are calculated in a similar fashion as the number of non minority-owned firms.

## *American Indian and Alaska Native*

The data on firms owned by American Indian and Alaska Natives from the 1997 SMOBE survey is not directly comparable to the data from the 2002 SBO survey. MBDA reports this data but makes no comparisons between those years because it would not be statistically valid. New questions in the 2002 SBO survey may have allowed for the exclusion of tribally-owned firms that may have been included in the 1997 survey.

# Reliability of Data

## *Relative Standard Errors*

The relative standard error (RSE) of an estimate is a measure of the reliability or precision of that estimate. Relative standard error is defined as the ratio of the standard error to the survey estimate. For example, a relative standard error of 10 percent implies that the standard error is one-tenth as large as the survey estimate.

The RSE of an estimate is calculated by dividing the standard error of the estimate (SE(r)) by the estimate itself (r). This quantity is expressed as a percent of the estimate.

The sample estimate and an estimate of its standard error allow us to construct interval estimates with prescribed confidence that the interval includes the average result of all possible samples with the same size and design. For example, Table 1 shows that there were an estimated 1,197,661 firms operated by African Americans in 2002. Table 1b shows that the RSE of this estimate is 1 percent. Multiplying 1,197,661 by 0.01, we obtain 11,977 as the standard error. This means that we are confident, with 2 chances out of 3 of being correct, that the average estimate from all possible samples of classifiable African American businesses is between 1,185,684 and 1,209,638 businesses. To increase the probability to about 9 chances out of 10 that the interval contains the average value over all possible samples (this is called a 90-percent confidence interval), multiply 11,977 by 1.6, yielding limits of 1,178,498 and 1,216,824 (1,197,661 businesses plus or minus 19,163).

When a RSE is not available for a particular estimate, we cannot define with precision the ratio of the standard error of the estimate.

For information on the reliability of individual minority group estimates and their relative standard errors, please visit the U.S. Census Bureau website at [www.census.gov/csd/sbo](http://www.census.gov/csd/sbo).

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Bates, Timothy. 2006. "The Urban Development Potential of Black-Owned Businesses," Journal of the American Planning Association, 72-2, 229.

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U.S. Census Bureau. 2003. Annual Resident Population Estimates of the United States by Age, Race, and Hispanic or Latino Origin: April 1, 2001 to July 1, 2002, Table NA-EST2002-ASRO-03.

U.S. Census Bureau. 2003. State Population Estimates by Race Alone and Hispanic or Latino Origin, July 1, 2002, Table ST-EST2002-ASRO-03.

U.S. Census Bureau. 2006. 2002 Economic Census: Survey of Business Owners.

For questions or additional information on this report, please contact MBDA's Office of Business Development, at 202-482-1940.

For media inquiries, please contact MBDA's Office of Legislative, Education and Intergovernmental Affairs, at 202-482-6272.

Also, please visit [www.mbda.gov/minoritybizfacts](http://www.mbda.gov/minoritybizfacts).

## Appendix A: MBDA Programs

The Minority Business Development Agency (MBDA) has created and redesigned some of its programs to address more specifically the needs of minority business enterprises. A special focus has been placed on assisting MBEs with high growth potential and greater impact on the national economy. Some of these programs follow.

### *MBEC/NABEC*

MBDA funds a network of Minority Business Enterprise Centers (MBECs) and Native American Business Enterprise Centers (NABECs), which are located throughout the United States and in Puerto Rico, that provide business development services to minority-owned businesses. The centers provide consulting services on management, market and growth strategies, and facilitate contracting and financial opportunities.

### *MBOC*

MBDA also funds Minority Business Opportunity Centers (MBOCs), which are located in strategic cities across the nation. The centers act as one-stop brokering services by facilitating contract and financial transactions between MBE clients and the public and private sector.

### *Phoenix Opportunity Matching System*

The Phoenix Opportunity Matching System is an online system that matches contracting opportunities with minority businesses. Phoenix is the formal point of entry for registering minority business enterprises and Opportunity is the data repository of contracting opportunities. Together, the systems interact to identify and match minority firms with opportunities based on the firms' capability profiles. Notifications are sent via email.

### *Business-to-Business (B2B) Linkages Forums*

MBDA brings together smaller MBEs with medium and large-size MBEs for teaming and potential partnership arrangements. The linkage forums revolve around major procurement opportunities and capacity-building among the teams to qualify for multi-million dollar contracts. These forums also introduce the teams with contracting officials to learn more about specific contracting opportunities. The forums are held in cities across the nation and target specific projects and industries.

### *Capital Access*

MBDA, through its nationwide network of funded programs and staff, provides consulting and referral services, to minority business enterprises to obtain business loans, equity investment, or bonding. MBDA works closely with both public and private capital providers (financial institutions, venture capitalists, alternative lenders, government programs, and surety companies) to support the growth and expansion of minority business enterprises.

## *Technology Commercialization*

The Federal Government and the private sector spend billions of dollars on research and development annually. The result of this large investment is innovation and new technologies. Many of the products and ideas simply sit on the shelf. MBDA seeks to help match MBE's with these new technologies that have potential for commercialization. In addition, MBDA helps MBEs introduce their new technologies to the Federal government to be considered for participation in the Small Business Innovation Research program. Through this program, MBEs may receive grant money to enhance their technology to fit the government and for commercialization. MBDA provides these services in partnership with the West Virginia High Technology Consortium Foundation.

## *Research and Knowledge Management*

MBDA conducts research studies on the state of MBEs, trends impacting MBEs, their performance, and challenges and opportunities for minority business growth. MBDA conducts some of its studies in collaboration with the Tuck School of Business at Dartmouth College. Through knowledge management, MBDA shares research and best practices with minority entrepreneurs and business development professionals to support MBEs growth and expansion. MBDA also shares its research with academia and government agencies to expand the knowledge of MBEs and to provide additional information that can shape programs in support of MBEs.



# Appendix B: Maps

Chart I2: U.S. Map of Minority Firms, by State Concentration, 2002

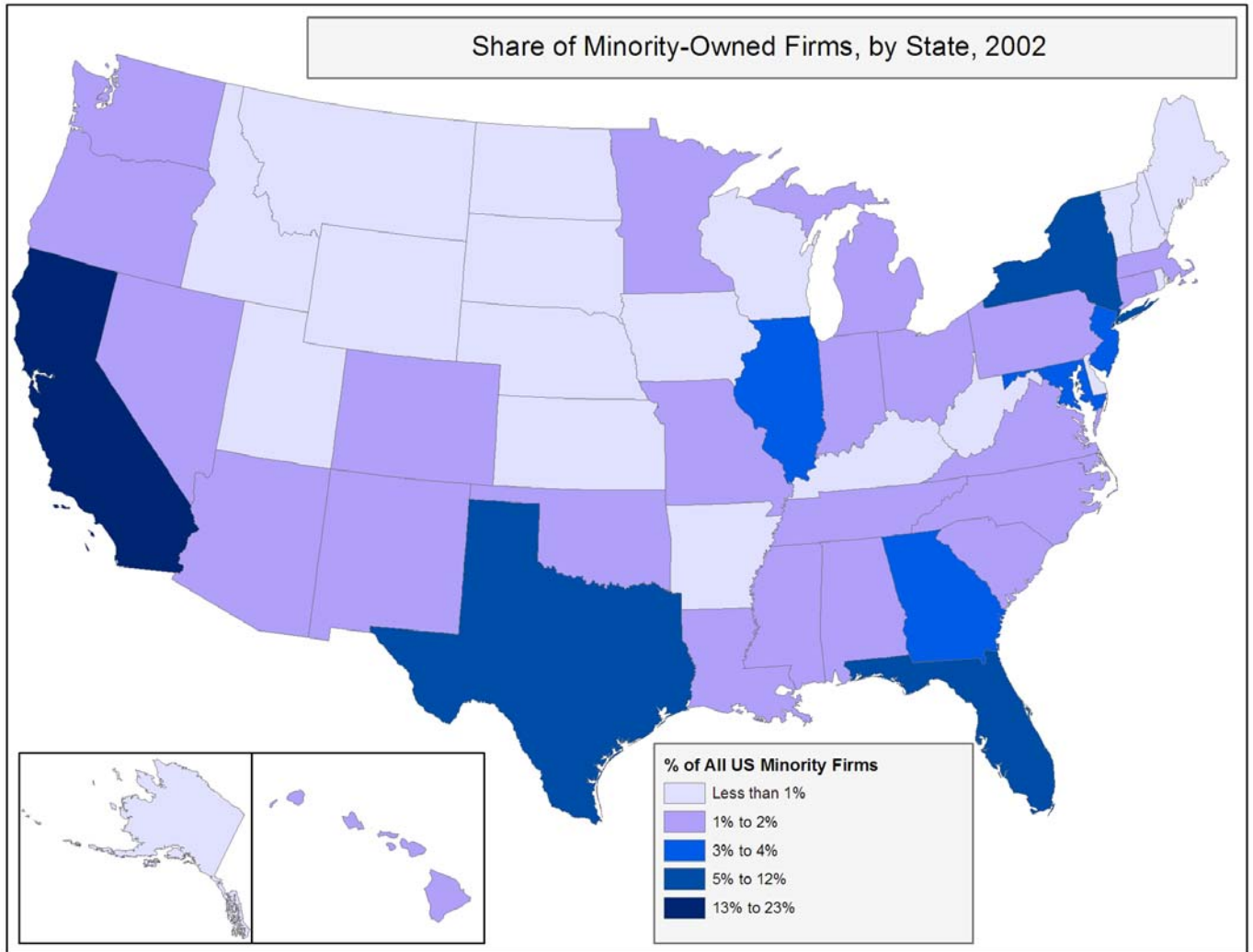


Chart 13: U.S. Map of Change in Concentration of Minority Firms by State, 2002

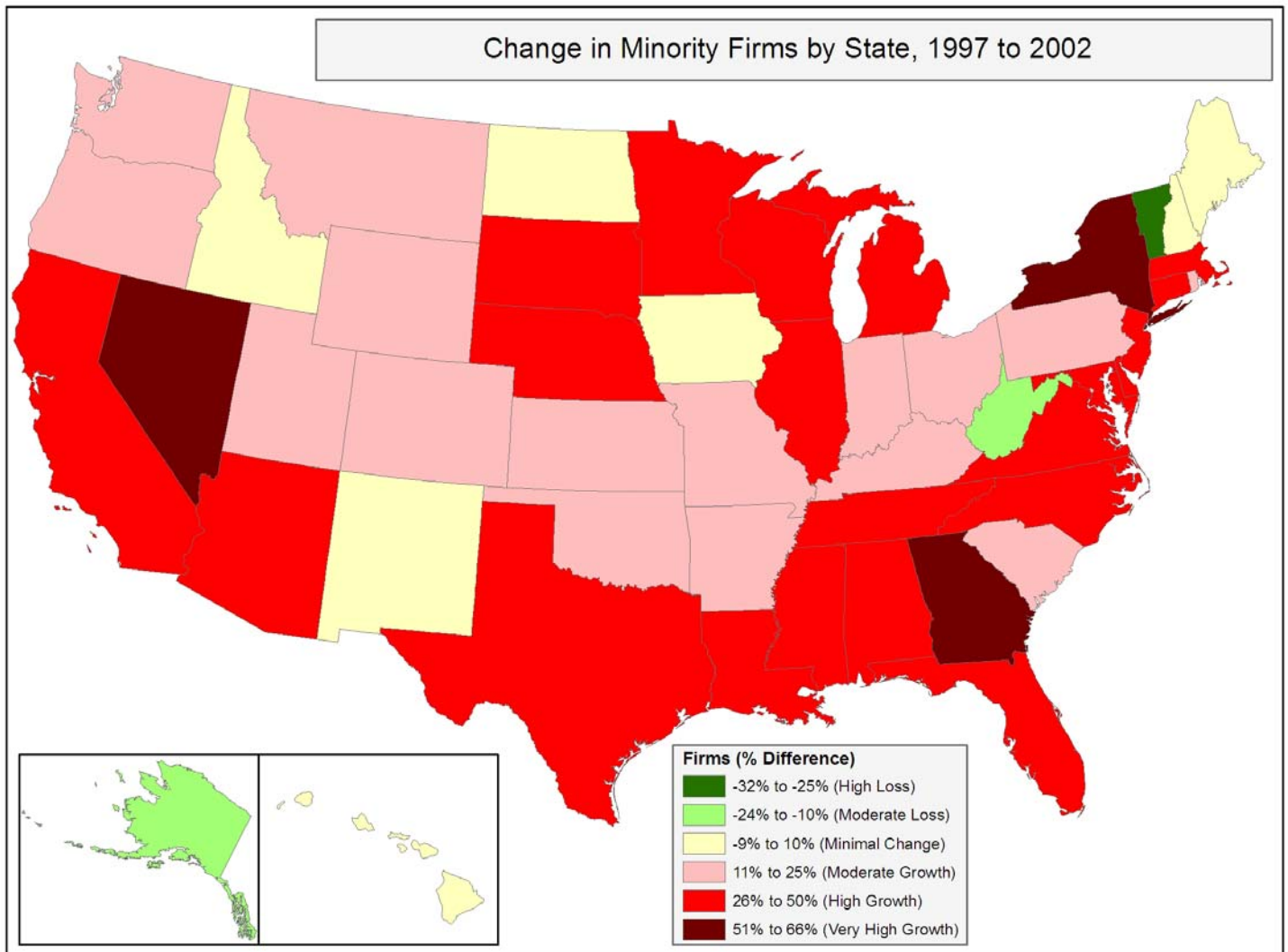
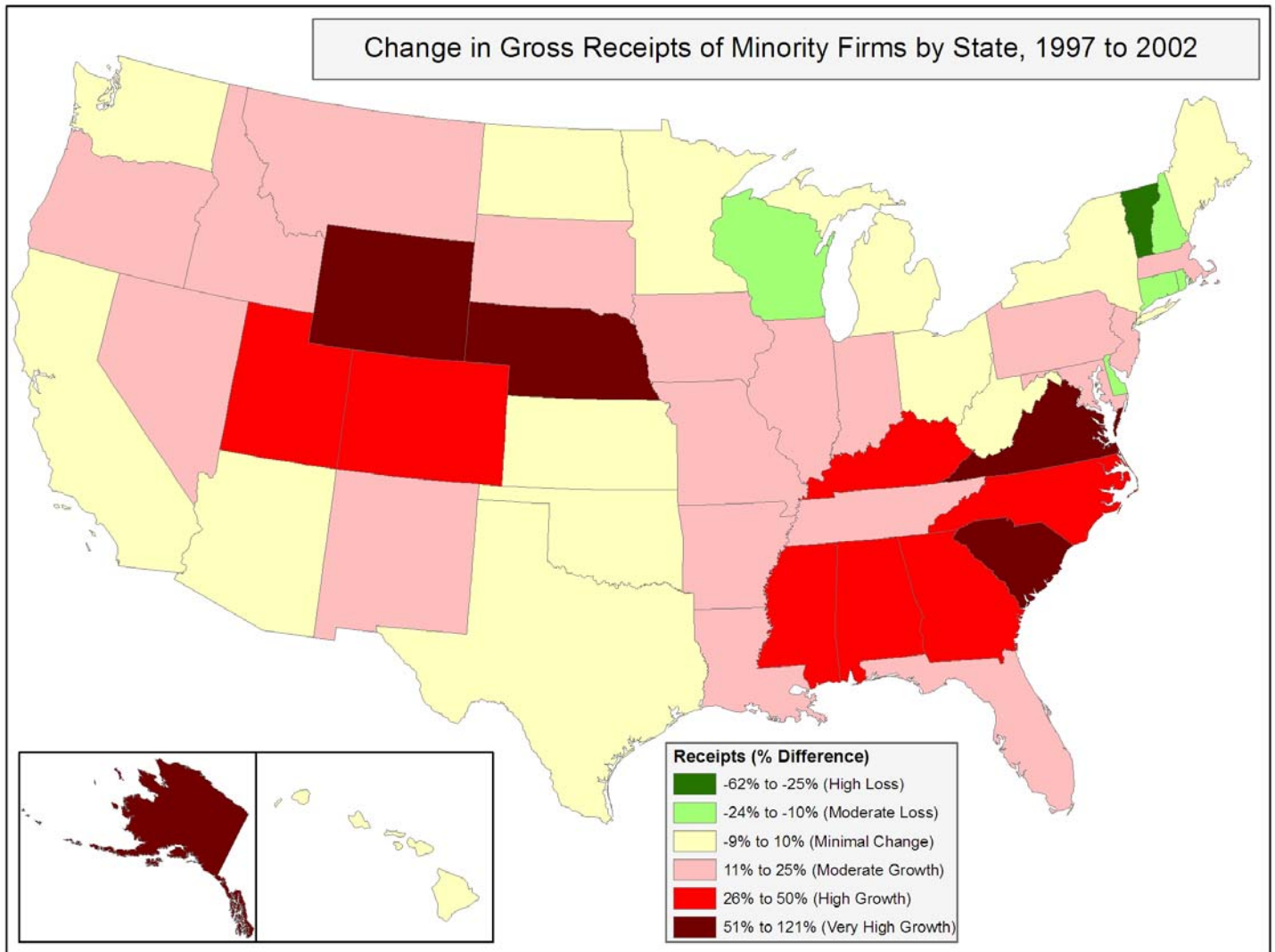


Chart I4: U.S. Map of Change in Gross Receipts of Minority Firms by State, 2002



## Appendix C: Additional Tables on Industry

Table 9a: Number of Firms by Industry Division, 2002<sup>28</sup>

Industry	Classifiable Firms	All Minority	African American	American Indian and Alaska Native	Asian	Hispanic	Native Hawaiian and Other Pacific Islander
Total for all sectors	22,480,432	<b>4,105,785</b>	1,197,661	201,387	1,104,189	1,573,600	28,948
Forestry, Fishing and Hunting, and Agricultural Support Services	246,640	<b>24,829</b>	3,724	4,594	6,261	9,710	540
Mining	98,462	<b>3,385</b>	325	1,028	456	1,473	103
Utilities	14,965	<b>1,738</b>	508	287	225	717	1
Construction	2,751,575	<b>361,364</b>	75,020	32,253	38,742	212,496	2,853
Manufacturing	580,261	<b>71,076</b>	10,084	6,004	23,716	30,948	324
Wholesale Trade	685,863	<b>97,869</b>	12,498	4,252	46,554	34,188	377
Retail Trade	2,551,811	<b>429,270</b>	102,123	20,494	151,551	151,501	3,601
Transportation and Warehousing	964,799	<b>288,507</b>	99,341	9,958	52,046	125,750	1,412
Information	298,331	<b>43,856</b>	14,319	2,618	12,092	14,516	311
Finance and Insurance	860,878	<b>97,151</b>	28,324	4,925	30,041	33,282	579
Real Estate and Rental and Leasing	2,039,557	<b>206,992</b>	52,375	9,277	74,666	68,823	1,851
Professional, Scientific, and Technical Services	3,244,829	<b>434,089</b>	115,765	22,505	154,235	138,345	3,239
Management of Companies and Enterprises	17,862	<b>960</b>	178	66	478	235	3
Administrative Support, Waste Management, and Remediation Services	1,550,032	<b>401,596</b>	121,143	15,712	53,254	208,125	3,362
Educational Services	385,560	<b>64,414</b>	25,256	3,609	15,518	19,589	442
Health Care and Social Assistance	1,943,974	<b>575,561</b>	245,767	24,428	123,689	181,677	S
Arts, Entertainment, and Recreation	943,518	<b>136,068</b>	54,430	9,249	26,543	44,168	1,678
Accommodation and Food Services	654,332	<b>182,489</b>	25,326	3,605	104,978	48,069	511
Other Services	2,658,541	<b>675,099</b>	210,498	26,651	188,673	249,277	S
Unclassified	27,705	<b>3,491</b>	1,012	112	1,201	1,166	S

<sup>28</sup> S = Estimates are suppressed when publication standards are not met. The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender. Available relative standard errors for the data in this table are found in Table 9b on page 46.

Table 10: Distribution of Firms by Group and Industry, 2002<sup>29</sup>

Industry	Classifiable Firms	All Minority	African American	American Indian and Alaska Native	Asian	Hispanic	Native Hawaiian and Other Pacific Islander
Forestry, Fishing and Hunting, and Agricultural Support Services	1.1%	<b>0.6%</b>	0.3%	2.3%	0.6%	0.6%	1.9%
Mining	0.4%	<b>0.1%</b>	0.0%	0.5%	0.0%	0.1%	0.4%
Utilities	0.1%	<b>0.0%</b>	0.0%	0.1%	0.0%	0.0%	0.0%
Construction	12.2%	<b>8.8%</b>	6.3%	16.0%	3.5%	13.5%	9.9%
Manufacturing	2.6%	<b>1.7%</b>	0.8%	3.0%	2.1%	2.0%	1.1%
Wholesale Trade	3.1%	<b>2.4%</b>	1.0%	2.1%	4.2%	2.2%	1.3%
Retail Trade	11.4%	<b>10.5%</b>	8.5%	10.2%	13.7%	9.6%	12.4%
Transportation and Warehousing	4.3%	<b>7.0%</b>	8.3%	4.9%	4.7%	8.0%	4.9%
Information	1.3%	<b>1.1%</b>	1.2%	1.3%	1.1%	0.9%	1.1%
Finance and Insurance	3.8%	<b>2.4%</b>	2.4%	2.4%	2.7%	2.1%	2.0%
Real Estate and Rental and Leasing	9.1%	<b>5.0%</b>	4.4%	4.6%	6.8%	4.4%	6.4%
Professional, Scientific, and Technical Services	14.4%	<b>10.6%</b>	9.7%	11.2%	14.0%	8.8%	11.2%
Management of Companies and Enterprises	0.1%	<b>0.0%</b>	0.0%	0.0%	0.0%	0.0%	0.0%
Administrative Support, Waste Management, and Remediation Services	6.9%	<b>9.8%</b>	10.1%	7.8%	4.8%	13.2%	11.6%
Educational Services	1.7%	<b>1.6%</b>	2.1%	1.8%	1.4%	1.2%	1.5%
Health Care and Social Assistance	8.6%	<b>14.0%</b>	20.5%	12.1%	11.2%	11.5%	N
Arts, Entertainment, and Recreation	4.2%	<b>3.3%</b>	4.5%	4.6%	2.4%	2.8%	5.8%
Accommodation and Food Services	2.9%	<b>4.4%</b>	2.1%	1.8%	9.5%	3.1%	1.8%
Other Services	11.8%	<b>16.4%</b>	17.6%	13.2%	17.1%	15.8%	N
Unclassified	0.1%	<b>0.1%</b>	0.1%	0.1%	0.1%	0.1%	N

<sup>29</sup> The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender. N = Not available or not comparable.

## Appendix D: Relative Standard Error

Table 1b: Relative Standard Error of Estimate (Percent) for Total Firms, Total Gross Receipts and Total Paid Employees, 1997 - 2002<sup>30</sup>

Group	Year	RSE of Estimate (Percent) for Number of Firms	SE of Percent Change in Number of Firms	RSE of Estimate (Percent) for Gross Receipts (\$1,000)	SE of Percent Change in Gross Receipts	RSE of Estimate (Percent) for Number of Employees	SE of Percent Change in Number of Employees
African American	2002	1	2	1	2	3	NA
	1997	1		2		4	
American Indian & Alaska Native	2002	1	NA	4	NA	3	NA
	1997	2		6		13	
Asian	2002	-	1	2	5	1	NA
	1997	1		4		5	
Hispanic	2002	1	4	2	20	3	NA
	1997	-		3		3	
Native Hawaiian and Other Pacific Islander	2002	3	8	8	9	10	NA
	1997	6		5		10	
All Minority	2002	NA	NA	NA	NA	NA	NA
	1997	NA		NA		NA	
Non-Minority Firms, excludes publicly held	2002	NA	NA	NA	NA	NA	NA
	1997	NA		NA		NA	
All U.S. Firms, excludes publicly held	2002	NA	NA	NA	NA	NA	NA
	1997	NA		NA		NA	
All U.S. Firms, includes publicly held	2002	-	-	-	-	-	-
	1997	-		-		-	

<sup>30</sup> RSE = Relative standard error; SE = Standard error; NA = Not available; - represents zero.

Table 3b: Relative Standard Error of Estimate (Percent) for the Top Five States for Minority Firm Concentration, 2002<sup>31</sup>

State Ranking	State	Relative Standard Error of Estimate (Percent) for Number of Firms	Relative Standard Error of Estimate (Percent) for Percentage of Firms in Minority Group
<b>All Minority</b>			
1	California	NA	NA
2	Texas	NA	NA
3	New York	NA	NA
4	Florida	NA	NA
5	Illinois	NA	NA
	Total	NA	NA
<b>African American</b>			
1	New York	1	NA
2	California	2	NA
3	Florida	2	NA
4	Georgia	2	NA
5	Texas	2	NA
	Total	NA	NA
<b>American Indian &amp; Alaska Native</b>			
1	California	3	NA
2	Oklahoma	4	NA
3	Texas	6	NA
4	New York	6	NA
5	Florida	6	NA
	Total	NA	NA
<b>Asian</b>			
1	California	1	NA
2	New York	1	NA
3	Texas	2	NA
4	New Jersey	1	NA
5	Hawaii	1	NA
	Total	NA	NA
<b>Hispanic</b>			
1	California	1	NA
2	Texas	1	NA
3	Florida	1	NA
4	New York	1	NA
5	New Jersey	3	NA
	Total	NA	NA
<b>Native Hawaiian &amp; Other Pacific Islander</b>			
1	Hawaii	6	NA
2	California	9	NA
3	New York	14	NA
4	Florida	20	NA
5	Texas	25	NA
	Total	NA	NA

<sup>31</sup> NA = Not available

Table 5b: Relative Standard Error of Estimate (Percent) for Minority Firms by State and Race or Hispanic Origin, 2002<sup>32</sup>

State	All Minority	African American	American Indian and Alaska Native	Asian	Hispanic	Native Hawaiian and Other Pacific Islander
Alabama	NA	2	14	5	10	48
Alaska	NA	10	7	6	6	46
Arizona	NA	5	10	7	3	26
Arkansas	NA	3	16	5	4	54
California	NA	2	3	1	1	9
Colorado	NA	5	8	3	3	20
Connecticut	NA	4	9	3	5	50
Delaware	NA	6	S	7	8	72
District of Columbia	NA	3	22	7	7	S
Florida	NA	2	6	2	1	20
Georgia	NA	2	9	3	4	29
Hawaii	NA	14	20	1	10	6
Idaho	NA	19	18	15	10	39
Illinois	NA	2	12	2	3	22
Indiana	NA	3	8	6	5	52
Iowa	NA	9	14	5	9	27
Kansas	NA	5	11	6	6	39
Kentucky	NA	5	17	6	8	65
Louisiana	NA	3	11	4	7	S
Maine	NA	20	15	10	31	S
Maryland	NA	2	10	3	4	32
Massachusetts	NA	2	17	2	3	S
Michigan	NA	2	8	2	5	54
Minnesota	NA	5	14	3	6	S
Mississippi	NA	3	12	7	18	68
Missouri	NA	3	7	5	4	50
Montana	NA	30	14	28	14	62
Nebraska	NA	5	23	7	7	15
Nevada	NA	6	8	4	3	20
New Hampshire	NA	15	26	7	18	28
New Jersey	NA	3	14	1	3	37
New Mexico	NA	9	4	5	3	53
New York	NA	1	6	1	1	14
North Carolina	NA	2	8	4	6	24
North Dakota	NA	17	9	22	26	0
Ohio	NA	2	13	2	4	S
Oklahoma	NA	4	4	5	5	33
Oregon	NA	5	6	3	6	18
Pennsylvania	NA	2	S	2	6	29
Rhode Island	NA	S	23	6	6	S
South Carolina	NA	2	19	5	10	34
South Dakota	NA	23	15	18	16	54
Tennessee	NA	2	6	4	5	S
Texas	NA	2	6	2	1	25
Utah	NA	14	23	5	7	18
Vermont	NA	28	17	24	23	S
Virginia	NA	2	9	3	4	26
Washington	NA	5	7	3	6	16
West Virginia	NA	9	18	6	17	45
Wisconsin	NA	4	8	5	7	69
Wyoming	NA	18	12	20	10	84

<sup>32</sup> NA = Not available



Table 7b: Relative Standard Error of Estimate (Percent) for the Top Five Combined Statistical Areas (CSAs) for Minority Firm Concentration, 2002<sup>33</sup>

CSA Ranking	CSA	RSE of Estimate (Percent) for Number of Firms
<b>African American</b>		
1	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	1
2	Washington-Baltimore-Northern Virginia, DC-MD-VA-WV - CSA	1
3	Los Angeles-Long Beach-Riverside, CA - CSA	3
4	Atlanta-Sandy Springs-Gainesville, GA-AL - CSA	2
5	Chicago-Naperville-Michigan City, IL-IN-WI - CSA	2
<b>American Indian &amp; Alaska Native</b>		
1	Los Angeles-Long Beach-Riverside, CA - CSA	5
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	5
3	San Jose-San Francisco-Oakland, CA - CSA	9
4	Tulsa-Bartlesville, OK - CSA	11
5	Washington-Baltimore-Northern Virginia, DC-MD-VA-WV - CSA	7
<b>Asian</b>		
1	Los Angeles-Long Beach-Riverside, CA - CSA	1
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	1
3	San Jose-San Francisco-Oakland, CA - CSA	3
4	Washington-Baltimore-Northern Virginia, DC-MD-VA-WV - CSA	3
5	Chicago-Naperville-Michigan City, IL-IN-WI - CSA	2
<b>Hispanic</b>		
1	Los Angeles-Long Beach-Riverside, CA - CSA	2
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	1
3	Miami-Fort Lauderdale-Miami Beach, FL - MeSA	1
4	Houston-Baytown-Huntsville, TX - CSA	2
5	San Jose-San Francisco-Oakland, CA - CSA	3
<b>Native Hawaiian &amp; Other Pacific Islander</b>		
1	Honolulu, HI - MeSA	7
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	17
3	Los Angeles-Long Beach-Riverside, CA - CSA	14
4	San Jose-San Francisco-Oakland, CA - CSA	17
5	Hilo, HI - MiSA	16

<sup>33</sup> RSE = Relative standard error

Table 8b: Relative Standard Error of Estimate (Percent) for the Top Five Industry Sectors for Minority Firm Concentration, 2002<sup>34</sup>

Industry Sector Ranking	Industry Sector	Relative Standard Error of Estimate (Percent) for Number of Firms	Relative Standard Error of Estimate (Percent) for Percentage of Firms in Minority Group
<b>All Minority</b>			
1	Other Services	NA	NA
2	Health Care and Social Assistance	NA	NA
3	Professional, Scientific, and Technical Services	NA	NA
4	Retail Trade	NA	NA
5	Administrative Support, Waste Management, and Remediation Services	NA	NA
	Total	NA	NA
<b>African American</b>			
1	Health Care and Social Assistance	1	NA
2	Other Services	1	NA
3	Administrative Support, Waste Management, and Remediation Services	2	NA
4	Professional, Scientific, and Technical Services	1	NA
5	Retail Trade	2	NA
	Total	NA	NA
<b>American Indian &amp; Alaska Native</b>			
1	Construction	2	NA
2	Other Services	2	NA
3	Health Care and Social Assistance	4	NA
4	Professional, Scientific, and Technical Services	3	NA
5	Retail Trade	6	NA
	Total	NA	NA
<b>Asian</b>			
1	Other Services	1	NA
2	Professional, Scientific, and Technical Services	1	NA
3	Retail Trade	1	NA
4	Health Care and Social Assistance	1	NA
5	Accommodation and Food Services	2	NA
	Total	NA	NA
<b>Hispanic</b>			
1	Other Services	1	NA
2	Construction	1	NA
3	Administrative Support, Waste Management, and Remediation Services	1	NA
4	Health Care and Social Assistance	1	NA
5	Retail Trade	1	NA
	Total	NA	NA
<b>Native Hawaiian &amp; Other Pacific Islander</b>			
1	Retail Trade	9	NA
2	Administrative Support, Waste Management, and Remediation Services	14	NA
3	Professional, Scientific, and Technical Services	10	NA
4	Construction	12	NA
5	Real Estate and Rental and Leasing	12	NA
	Total	NA	NA

<sup>34</sup> NA = Not available

Table 9b: Relative Standard Error of Estimate (Percent) for the Number of Firms by Industry Division, 2002<sup>35</sup>

Industry	Classifiable Firms	All Minority	African American	American Indian and Alaska Native	Asian	Hispanic	Native Hawaiian and Other Pacific Islander
Total for all sectors	NA	NA	1	1	-	1	3
Forestry, Fishing and Hunting, and Agricultural Support Services	NA	NA	6	8	4	4	23
Mining	NA	NA	12	14	8	11	80
Utilities	NA	NA	17	17	13	15	-
Construction	NA	NA	2	2	3	1	12
Manufacturing	NA	NA	2	6	2	2	24
Wholesale Trade	NA	NA	3	4	1	3	14
Retail Trade	NA	NA	2	6	1	1	9
Transportation and Warehousing	NA	NA	1	6	2	1	11
Information	NA	NA	2	10	2	3	25
Finance and Insurance	NA	NA	1	6	3	2	23
Real Estate and Rental and Leasing	NA	NA	2	5	2	2	12
Professional, Scientific, and Technical Services	NA	NA	1	3	1	2	10
Management of Companies and Enterprises	NA	NA	17	39	20	10	-
Administrative Support, Waste Management, and Remediation Services	NA	NA	2	5	2	1	14
Educational Services	NA	NA	3	11	4	4	27
Health Care and Social Assistance	NA	NA	1	4	1	1	S
Arts, Entertainment, and Recreation	NA	NA	2	9	4	3	15
Accommodation and Food Services	NA	NA	3	8	2	4	30
Other Services	NA	NA	1	2	1	1	S
Unclassified	NA	NA	13	27	14	11	S

<sup>35</sup> The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender. NA = Not available; - represents zero.

# Appendix E: List of Tables and Charts

## *List of Tables*

Table 1a: Total Firms, Total Gross Receipts and Total Paid Employees, 1997 - 2002	8
Table 1b: Relative Standard Error of Estimate (Percent) for Total Firms, Total Gross Receipts and Total Paid Employees, 1997- 2002	41
Table 2: Change in Average Gross Receipts, 1997- 2002	10
Table 3a: Top Five States for Minority Firm Concentration, 2002	16
Table 3b: Relative Standard Error of Estimate (Percent) for the Top Five States for Minority Firm Concentration, 2002	42
Table 4: Share of Minority Firms and Minority Population by State, 2002	17
Table 5a: Minority Firms by State and Race or Hispanic Origin, 2002	8
Table 5b: Relative Standard Error of Estimate (Percent) for Minority Firms by State, Race, and Hispanic Origin, 2002	43
Table 6: Change in Minority Firms, Gross Receipts and Population, 1997 - 2002	19
Table 7a: Top Five Combined Statistical Areas for Minority Firm Concentration, 2002	20
Table 7b: Relative Standard Error of Estimate (Percent) for the Top Five Combined Statistical Areas (CSAs) for Minority Firm Concentration, 2002	44
Table 8a: Top Five Industry Sectors for Minority Firm Concentration, 2002	23
Table 8b: Relative Standard Error of Estimate (Percent) for the Top Five Industry Sectors for Minority Firm Concentration, 2002	45
Table 9a: Number of Firms by Industry Division, 2002	39
Table 9b: Relative Standard Error of Estimate (Percent) for the Number of Firms by Industry Division, 2002	46
Table 10: Distribution of Firms by Group and Industry, 2002	40

## *List of Charts*

Chart 1: Change in Number of Firms and Gross Receipts, 1997-2002	9
Chart 2: Number of Minority Firms (in millions), Total Receipts (in \$ trillions), and Paid Employment (in millions) for Minority Firms	12
Chart 3: Percentage of Minority Population, Number of Firms and Gross Receipts	13
Chart 4: Parity Comparison for Number of Minority Firms (in millions)	14
Chart 5: Parity Comparison for Total Receipts for Minority Firms (in \$ trillions)	14
Chart 6: Parity Comparison for Paid Employment for Minority Firms (in millions)	14
Chart 7: Industries Distribution for Minority-Owned Firms, 2002	24
Chart 8: Industries Distribution for Classifiable Firms, 2002	24
Chart 9: Industries with the Highest Average Gross Receipts for Minority Firms Compared to Classifiable Firms	26
Chart 10: SGI and Non-SGI Firms as a Percentage of All Minority Firms, 2002	28
Chart 11: Change in Number of Firms, Gross Receipts, Average Gross Receipts, and Paid Employment for Minority and Non-Minority Firms, 1997-2002	29
Chart 12: U.S. Map of Minority Firms, by State Concentration, 2002	36
Chart 13: U.S. Map of Change in Concentration of Minority Firms, by State, 2002	37
Chart 14: U.S. Map of Change in Gross Receipts of Minority Firms by State, 2002	38



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