

Small Business Profile: KENTUCKY

Small businesses are the heart of Kentucky's economy. Research by the Office of Advocacy shows that small businesses create most of the nation's net new jobs, and they bring dynamic ideas, innovative services, and new products to the marketplace. They account for almost all of the nation's employer firms and generate half of non-farm private output. New business creation is key to a state's ability to increase its gross state product, state personal income, and total state employment.¹ This small business profile uses the most recent data available to demonstrate the valuable contributions that small businesses make to Kentucky's economic health.

Number of Businesses. Kentucky had an estimated total of 346,200 small businesses.² Employer firms totaled 85,100 in 2006, up 0.2 percent from the previous year. Of this total, an estimated 97.1 percent, or 82,700 were small. Self-employment (incorporated and unincorporated) totaled 175,200 in 2006, a decrease from 194,100 in 2005. Non-employer firms totaled 263,700 in 2005, an increase of 2.7 percent since 2004. (Sources: U.S. Dept. of Labor, Employment and Training Administration; U.S. Dept. of Commerce, Census Bureau; U.S. Dept. of Labor, Bureau of Labor Statistics.)

Women-owned Firms. In 2002, businesses owned by women numbered 77,200, represented 25.6 percent of the state's 300,700 businesses, and generated \$9.5 billion in revenues. Employer firms owned by women totaled 10,300, a decrease of 4.4 percent since 1997. Women numbered 62,900 or 35.9 percent of the state's self-employed persons in 2006, a decrease of 1.7 percent from the previous year. (Sources: U.S. Dept. of Labor, Bureau of Labor Statistics; U.S. Dept. of Commerce, Census Bureau.)

Minority-owned Firms.³ In 2002, Asian-owned firms totaled 3,200, and 1,300 of them were employer firms; Black-owned firms numbered 7,600, and 600 were employer firms; Hispanic-owned firms totaled 2,100, and employer firm data are unavailable. American Indian and Alaska Native-owned firms numbered 1,300, and 100 of them were employer firms;

while Native Hawaiian and other Pacific Islander-owned businesses numbered 60, and fewer than 10 were employer firms. (Source: U.S. Dept. of Commerce, Census Bureau.)

Business Turnover. An estimated 8,973 new employer firms were created in 2006, which is 6.7 percent less than the number created in 2005. Business bankruptcies totaled 200 in 2006, down from 409 the previous year, while business terminations increased from 8,500 in 2005 to 10,200 in 2006. (Sources: U.S. Dept. of Labor, Employment and Training Administration; Administrative Office of the U.S. Courts; U.S. Dept. of Commerce, Census Bureau.)

Employment. Small firms employed 51.0 percent of the state's non-farm private labor force in 2004, which was above the national average of 50.9 percent.⁴ These 70,800 firms accounted for 97.1 percent of the state's employer businesses, and they employed 759,200 people (Table 1). Small businesses added a total of 21,200 net new jobs between 2003 and 2004 (Table 2). (Source: U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses.)

Small Business Income. Non-farm proprietors' income, which is a share of small business income, increased by 4.9 percent, from \$8.1 billion in 2005 to \$8.5 billion in 2006.⁵ (Source: U.S. Dept. of Commerce.)

Finance. Commercial banks and savings institutions continued to be important sources of small business financing. The number of lending institution branches in the state increased in 2006 (Table 3). For a list of financial institutions in the state that make the most loans to small businesses, visit www.sba.gov/advo/research/lending.html.

To learn more about the Office of Advocacy's data and analyses of small business, visit www.sba.gov/advo/research, call (202) 205-6533, or email advocacy@sba.gov.

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¹ Small businesses are defined as having fewer than 500 employees. Their economic contribution is documented in research published by the Office of Advocacy: www.sba.gov/advo/research.

² This estimate is based on the percent that small businesses are of the state's total businesses (see Table 1, 2004 firm size data). This percentage is multiplied by the total number of employer businesses in 2006 (Dept. of Labor). The 2005 number of non-employer firms is added to this total (Census Bureau).

³ The groups should not be added together or double counting will result, since owners may belong to more than one minority group.

⁴ The latest year for which data by firm size exist.

⁵ Income data for 2006 are based on preliminary data.

Table 1. Firms and Employment in Kentucky by Industry and Firm Size, 2004 and 2005 (Non-farm, Thousands)

| Industry | Non-Employer Firms (2005) | Employer Firms (2004) | | | Employment (2004) | | |
|--|---------------------------|-----------------------|----------------|-----------------|-------------------|----------------|-----------------|
| | | Total | 1-99 Employees | 1-499 Employees | Total | 1-99 Employees | 1-499 Employees |
| Total | 263.70 | 72.91 | 68.99 | 70.79 | 1,489.50 | 535.17 | 759.25 |
| Agriculture, forestry, fishing, and hunting | 4.79 | 0.31 | 0.30 | 0.31 | * | * | * |
| Mining | 1.83 | 0.52 | 0.46 | 0.50 | 18.13 | 6.02 | 9.50 |
| Utilities | 0.27 | 0.10 | 0.08 | 0.09 | * | * | * |
| Construction | 45.65 | 9.07 | 8.92 | 9.02 | 81.44 | 60.80 | 74.74 |
| Manufacturing | 3.42 | 3.73 | 2.99 | 3.31 | 258.09 | 42.84 | 87.04 |
| Wholesale trade | 4.06 | 3.86 | 3.31 | 3.53 | 68.65 | 28.85 | 42.31 |
| Retail trade | 30.35 | 11.34 | 10.78 | 10.97 | 223.30 | 81.61 | 97.38 |
| Transportation and warehousing | 13.81 | 2.67 | 2.37 | 2.47 | 76.01 | 15.04 | 21.98 |
| Information | 2.61 | 0.87 | 0.73 | 0.77 | 31.32 | 6.69 | 9.25 |
| Finance and insurance | 7.35 | 3.21 | 2.93 | 3.01 | 67.09 | 20.06 | 28.46 |
| Real estate, and rental and leasing | 26.33 | 2.96 | 2.83 | 2.88 | 19.17 | 11.52 | 13.76 |
| Professional, scientific, and technical services | 26.13 | 7.39 | 7.11 | 7.22 | 59.45 | 36.45 | 45.14 |
| Management of companies and enterprises | N/A | 0.45 | 0.15 | 0.27 | * | * | * |
| Admin., support, waste mgt., and remed. serv. | 19.48 | 3.22 | 2.95 | 3.05 | 72.78 | 20.59 | 34.83 |
| Educational services | 4.38 | 0.74 | 0.66 | 0.71 | 26.81 | 8.19 | 17.93 |
| Health care and social assistance | 15.98 | 7.84 | 7.44 | 7.68 | 221.19 | 64.94 | 105.12 |
| Arts, entertainment, and recreation | 9.42 | 1.26 | 1.21 | 1.24 | 16.63 | 11.23 | 14.62 |
| Accommodation and food services | 2.90 | 5.06 | 4.69 | 4.88 | 143.46 | 62.93 | 89.56 |
| Other services | 44.94 | 9.12 | 8.95 | 9.03 | 68.40 | 52.95 | 58.16 |
| Unclassified | N/A | 0.41 | 0.41 | 0.41 | * | * | * |

Source: U.S. Dept. of Commerce, Census Bureau. See www.sba.gov/advo/research/data.html.

*Data suppressed to protect the confidentiality of individual firms. N/A = not available.

Table 2. Job Gains and Losses in Kentucky by Firm Size, 2003-2004 (Non-farm, Thousands)

| | Total | Firm Size (Number of Employees) | | |
|---------------------------|-------------|---------------------------------|-------------|-------------|
| | | 1-19 | 1-499 | 500+ |
| Job gains: | | | | |
| New establishments | 72.6 | 21.6 | 43.5 | 29.1 |
| Expanding establishments | 141.1 | 40.3 | 83.6 | 57.5 |
| Job losses: | | | | |
| Downsized establishments | -121.5 | -25.1 | -67.7 | -53.8 |
| Closed establishments | -76.0 | -19.5 | -38.2 | -37.8 |
| Net change in jobs | 16.3 | 17.4 | 21.2 | -4.9 |

Source: U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses. See www.sba.gov/advo/research/data.html.

Note: Components may not sum to totals because of rounding.

Table 3. Number of Bank and Savings Institution Branches in Kentucky, 2002-2006

| 2002 | 2003 | 2004 | 2005 | 2006 |
|-------|-------|-------|-------|-------|
| 1,690 | 1,703 | 1,724 | 1,750 | 1,781 |

Source: U.S. Small Business Administration, Office of Advocacy, from data collected by the Federal Deposit Insurance Corporation, Statistics on Banking.

Note: Data for year ending June 30. A full list of small business lending banks collected by the Federal Reserve Board can be found on the Office of Advocacy's website at www.sba.gov/advo/research/lending.html.