

Broadband Use by Rural Small Businesses

Telenomic Research, Herndon, Virginia 20171
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This research explores two popular beliefs pertaining to the deployment and use of broadband services. First, that these services provide tangible benefit to the overall economy. Second, that rural deployment lags urban deployment. It has often been suggested that the universal provision of broadband services in rural areas was cost prohibitive; thus creating the urban-rural digital divide. This study investigates and verifies these assertions, specifically, as they apply to rural small businesses. It relies primarily on data from the Federal Communications Commission (FCC) and an Office of Advocacy survey.¹

Overall Findings

The study finds that an urban-rural digital divide does exist in the provision and adoption of broadband services. This difference in broadband use is statistically significant. A major concern is that many benefits have been associated with the availability and adoption of broadband services, and rural small businesses are not obtaining them.

Highlights

- Broadband investment (and more generally investment in information technology) appears to provide substantial benefits to both consumers and the overall economy. Broadband investment and services appear to stimulate economic productivity and output, as well as create jobs.

- This study finds that rural small businesses do not subscribe to broadband services as frequently as urban small businesses do, and finds the differ-

ence in broadband use between rural and urban areas to be statistically significant.

- One of the drawbacks of the apparent urban-rural digital divide is that rural small businesses are less likely to benefit from new technologies facilitated by access to broadband services. For instance, this study finds a statistically significant difference in voice-over-Internet protocol (VoIP) use between metropolitan and non-metropolitan areas, apparently due to the lack of broadband use in rural areas.²

Scope and Methodology

The report uses data from the FCC and an Office of Advocacy survey, *A Survey of Small Businesses' Telecommunications Use and Spending*. The tabulations using FCC data tell the story as it relates to the U.S. economy, comparing urban and rural usage, and depicting the availability of broadband services by population density. This report was peer-reviewed consistent with Advocacy's data quality guidelines. More information on this process can be obtained by contacting the director of economic research at advocacy@sba.gov or (202) 205-6533.

Ordering Information

The full text of this report and summaries of other studies performed under contract with the U.S. Small Business Administration's Office of Advocacy are available on the Internet at www.sba.gov/advo/research.

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1. The results of this survey were published in *A Survey of Small Businesses' Telecommunications Use and Spending*, Telenomic Research, 2004. Available at www.sba.gov/advo/research/rs236.pdf.

2. VoIP services use Internet-based protocol to replicate voice telephone services. For existing broadband users, these telephone services are often priced less than traditional telephone services.

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