

Small Business Profile: CALIFORNIA

In California, small businesses are vital to the financial well-being of the state's economy. Their contribution is essential for economic growth since they make up almost all employer firms in the state. As entrepreneurs and innovators, small business owners represented a diverse group in 2004 and continued to keep the state's economy productive. The *Small Business Profile* provides information on the performance of small businesses in the state using the most current federal data available.

Number of Businesses. There were an estimated 3,320,977 small businesses in California in 2004.¹ Of the 1,077,390 firms with employees, an estimated 99.2 percent, or 1,068,602, were small firms. In 2004, the estimated number of employer businesses increased by 1.3 percent. The number of self-employed persons (including incorporated) increased overall by 7.6 percent, from 1,986,534 in 2003 to 2,137,841 in 2004. Non-employer businesses numbered 2,252,375 in 2002, an increase of 4.8 percent since 2001, based on the most recent data available. (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 Businesses. In 2002 women-owned firms totaled 871,617, an increase of 24 percent from 1997, and generated \$140.9 billion in revenues. Firms owned jointly by women and men numbered 346,097 with revenues of \$128.2 billion. Women represented 34.7 percent of the self-employed persons in the state. (Sources: U.S. Dept. of Labor, Bureau of Labor Statistics; U.S. Dept. of Commerce, Census Bureau.)

Minority-Owned Businesses. In 2002, Hispanic-owned firms numbered 427,805, an increase of 27 percent from 1997. Black-owned firms numbered 113,003, an increase of 43 percent; Asian-owned firms numbered 372,221, an increase of 19 percent; American Indian and Alaska Native-owned firms numbered 40,541, an increase of 52 percent; and there were 7,308 Native Hawaiian and other Pacific Islander-owned businesses.² (Source: U.S. Dept. of Commerce, Census Bureau.)

¹ The Office of Advocacy's estimate of the total number of state small businesses is based on the percent of small businesses (2002 Census Bureau firm size data) multiplied by the total number of employer businesses in 2004 (Employment and Training Administration). To this total is added the 2002 number of non-employer firms (Census Bureau). See *Business Estimates from the Office of Advocacy*, www.sba.gov/advo/research/rs258tot.pdf.

² Minority owners may be in more than one minority group.

Business Turnover. There were an estimated 117,016 new employer businesses in 2004, 3.1 percent more than the previous year. Business terminations numbered 143,115 in 2004, an increase of 1.9 percent. Business bankruptcies decreased by 16.7 percent and totaled 3,748 in 2004. (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 with fewer than 500 employees numbered 669,132 in 2002 and employed 6,810,807 individuals, or 53 percent of the state's non-farm private sector (Table 1).³ Net job gains among firms with fewer than 20 employees totaled 117,379, while large firms with 500 or more employees lost 263,913 jobs between 2001 and 2002 (Table 2). (Source: U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses.)

Small Business Income. Non-farm proprietors' income, a partial measure of small business income, increased by 6 percent, from \$129.7 billion in 2002 to \$137.5 billion in 2003. (Source: U.S. Dept. of Commerce.)

Finance. Commercial bank lenders are an important source of small business loans, and small firms usually rely on them for financing. Over the last 10 years the number of banks in California has declined (Table 3). The Office of Advocacy has identified banks in each state that make the most loans to small businesses. This information is available in its banking studies at 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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³ The number of employers in Table 1 is not directly comparable to the figures in the *Number of Businesses* section due to different data sources.

Table 1. Firms and Employment in California by Industry and Firm Size, 2002 (Thousands)

Industry	Non-employer firms	Employer firms			Employment		
		Total	< 100	< 500	Total	< 100	< 500
Total	2,252.38	674.64	656.37	669.13	12,856.43	4,878.27	6,810.81
Agriculture, forestry, fishing, and hunting	12.5	2.33	2.27	2.32	23.92	15.73	21.73
Mining	3.64	0.69	0.60	0.63	19.57	5.63	8.41
Utilities	1.11	0.61	0.54	0.56	50.73	3.17	5.25
Construction	167.73	68.35	67.20	68.13	767.83	509.1	662.4
Manufacturing	40.84	44.67	41.21	43.37	1,559.53	540.3	852.17
Wholesale trade	6.13	51.33	48.64	50.16	811.05	394.33	535.29
Retail trade	210.22	74.87	72.92	74.19	1,534.67	520.82	685.12
Transportation and warehousing	86.27	15.19	14.46	14.86	402.90	122	163.12
Information	1.12	14.85	13.99	14.45	507.69	94.93	148.75
Finance and insurance	79.22	26.32	25.23	25.79	647.88	131.58	203.84
Real estate; rental and leasing	242.88	34.94	34.28	34.67	286.27	158.79	201.06
Professional, scientific, and technical services	417.66	94.00	91.76	93.14	1,130.87	481.35	633.26
Management of companies and enterprises	N/A	3.25	1.24	2.20	311.60	10.6	43.94
Admin., support, waste mgmt. and remed. svces.	168.35	33.54	31.83	32.92	980.57	254.98	427.17
Educational services	42.97	8.55	8.09	8.43	289.08	95.64	150.01
Health care and social assistance	208.67	74.75	73.10	74.33	1,431.45	495.99	711.29
Arts, entertainment, and recreation	134.12	15.33	14.88	15.19	265.69	95.5	147.15
Accommodation and food services	30.34	50.55	49.18	50.20	1,150.91	549.82	722.84
Other services	308.82	63.79	62.83	63.49	578.89	392.76	475.55
Auxiliary, except corp., subsidiary, and regional managing offices	N/A	0.90	0.19	0.43	101.69	1.63	8.81
Unclassified	N/A	4.25	4.25	4.25	3.65	3.65	3.65

*Data suppressed to protect the confidentiality of individual firms.

N/A= not available

Source: U.S. Department of Commerce, Census Bureau, Statistics of U.S. Businesses.

Table 2. Non-farm Establishment Job Gains and Losses by Firm Size in California, 2001–2002 (Thousands)

	Firm size (number of employees)			
	Total	1–19	1–499	500+
Job gains:				
New establishments	981.82	238.36	561.59	420.23
Expanding establishments	1,386.00	384.60	823.86	562.15
Job losses:				
Downsized establishments	-1,836.25	-273.12	-969.78	-866.47
Closed establishments	-901.25	-232.46	-521.43	-379.82
Net change in employment	-369.68	117.38	-105.76	-263.91

Source: U.S. Department of Commerce, Census Bureau, Statistics of U.S. Businesses.

Table 3. Number of Banks in California by Asset Size, 1995–2004, Selected Years

Number of banks per year					Number of banks by asset size, 2004				
1995	2001	2002	2003	2004	Below \$100M	\$100M–\$500M	\$500M–\$1B	\$1B–\$10B	Over \$10B
395	300	288	281	264	69	125	24	42	4

Source: U.S. Small Business Administration, Office of Advocacy, from data collected by the Federal Reserve Board. The full list of small-business-friendly banks can be found on the Office of Advocacy website, www.sba.gov/advo/research/lending.