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## Small Business Profile: ARKANSAS

Small businesses make a significant contribution to the U.S. economy, and in 2003, they were the engine of Arkansas's economic performance. Nationally, half of U.S. non-farm private output and employment is generated by small firms with 500 or fewer employees; in Arkansas, small business owners—including women, minorities, and home based individuals—were leaders in the state's economy in 2003. The Office of Advocacy's *Small Business Profile* reports on small businesses in the state using the most currently available data.

**Number of Businesses.** The estimated total number of small businesses in Arkansas in 2003 was 215,300.<sup>1</sup> Of the 60,416 employer firms in 2003, 97 percent or an estimated 58,600 were small firms. The estimated number of employer businesses decreased by 0.4 percent in 2003. The most recent data available show that non-employer businesses numbered 156,711 in 2001. Self-employment decreased slightly, from 101,155 in 2002 to 101,145 in 2003. (Source: 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.** Self-employment by women decreased by 6.7 percent, from 32,815 in 2002 to 30,611 in 2003 and represented 30.7 percent of self-employed persons in the state. Women-owned businesses generated \$6.5 billion in revenues, employed 64,379 workers, and constituted 42,600 firms or 22 percent of all firms in 1997. (Sources: U.S. Dept. of Labor, Bureau of Labor Statistics; U.S. Dept. of Commerce, Census Bureau.)

**Minority-Owned Businesses.** In 1997, 16.2 percent or 2,100 of the minority-owned businesses in the state were employer firms, and they generated 78.9 percent of the total minority-owned business revenue of \$1.4 billion. There were 2,600 Hispanic-owned businesses; 6,700 Black-owned businesses; 1,500 Asian and Pacific Islander-owned businesses; and 2,300 American Indian and Alaskan Native-owned businesses in 1997. (Source: U.S. Dept. of Commerce, Census Bureau.)

**Business Turnover.** The estimated number of new employer businesses was 7,253 in 2003, which is 34.8 percent more than

the previous year. Business bankruptcies increased by 52.1 percent, and totaled 429 in 2003. Business terminations increased by 54 percent and numbered 6,918 in 2003. (Source: 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 businesses with fewer than 500 employees numbered 50,068 in 2001 and employed 476,870 people or 47.9 percent of the state's non-farm private workforce (Table 1).<sup>2</sup> Total net employment gain in the state amounted to 4,444 between 2000 and 2001, and 5,200 new jobs were created in MSAs (metropolitan statistical areas). During the same time period, firms with fewer than 20 employees gained 6,298 jobs. (Source: U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses. Note: Urban (MSA) and rural (non-MSA) employment data is available at: [www.sba.gov/advo/stats/data.html](http://www.sba.gov/advo/stats/data.html).)

**Small Business Income.** Small business proprietors' income in 2003 increased by 12.2 percent, from \$5.2 billion in 2002 to \$5.9 billion in 2003. (Source: U.S. Dept. of Commerce.)

**Finance.** Small firms typically use commercial bank lenders and rely on local bank services. Over the last five years there has been a gradual decline in the number of banks in Arkansas (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 available at [www.sba.gov/advo/stats](http://www.sba.gov/advo/stats).

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

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<sup>1</sup> The Office of Advocacy's estimate of the total number of state small businesses is based on the percent of small businesses (2001 Census Bureau firm size data) multiplied by the total number of employer businesses in 2003 (Dept. of Labor). To this total, we add the 2001 number of non-employer firms (Census Bureau).

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<sup>2</sup> The number of employers listed in Table 1 is not directly comparable to the figures listed in the *Number of Businesses* section due to different data sources.

**Table 1.** Firms and Employment in Arkansas by Industry and Firm Size, 2001 (Thousands)

Industry	Non-employer Firms	Employer Firms			Employment		
		Total	< 100	< 500	Total	< 100	< 500
<b>Total</b>	<b>156.71</b>	<b>51.6</b>	<b>49.04</b>	<b>50.07</b>	<b>995.52</b>	<b>346.29</b>	<b>476.87</b>
Agriculture, forestry, fishing, and hunting	4.27	0.88	0.86	0.86	6.14	4.62	4.78
Mining	0.97	0.25	0.21	0.22	3.45	1.42	2.02
Utilities	0.16	0.19	0.17	0.18	7.84	1.18	2.89
Construction	28.74	5.58	5.51	5.55	44	36.25	41.92
Manufacturing	2.38	2.9	2.35	2.54	228.67	29.53	54.99
Wholesale trade	3.39	3	2.6	2.73	43.53	2.6	29.06
Retail trade	17.87	8.94	8.53	8.66	136.51	8.53	68.98
Transportation and warehousing	8.89	2.18	2.03	2.08	43.38	2.03	17.37
Information	1.15	0.56	0.48	0.5	29.73	4.26	5.32
Finance and insurance	5.76	2.3	2.14	2.18	34.38	12.81	18.15
Real estate; rental and leasing	12.44	2.02	1.94	1.97	12.11	7.36	12.11
Professional, scientific, and technical services	13.91	4.69	4.57	4.62	32	20.15	25.38
Management of companies and enterprises	N/A	0.26	0.09	0.17	20.89	0.6	2.32
Admin., support, waste mngt., and remed., services	10.9	2.04	1.87	1.94	63.01	1.87	21.88
Educational services	1.56	0.44	0.4	0.42	11.42	4.41	8.18
Health care and social assistance	9.45	4.95	4.69	4.84	133.95	38.85	65.35
Arts, entertainment, and recreation	3.71	0.77	0.75	0.76	8.07	5.6	6.71
Accommodation and food services	1.89	3.45	3.25	3.33	76.93	39.88	52.43
Other services	29.27	6.43	6.33	6.38	41.76	34.98	39.06
Auxiliary, except corp, subsidiary, and regional managing offices	N/A	0.07	0.01	0.02	17.12	0.1	0.27
Unclassified	N/A	0.47	0.47	0.64	0.64	0.64	0.64

\*Data suppressed to protect the confidentiality of individual firms.

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

**Table 2.** Non-farm Establishment Job Gains and Losses by Firm Size, 2000–2001 (Thousands)

	Firm Size (Number of Employees)			
	Total	1–19	1–499	500+
Job Gains:				
New establishments	54.4	17	30.4	24
Expanding establishments	91.81	25.3	49.74	42.07
Job Losses:				
Downsized establishments	-95.14	-19.4	-50.81	-44.33
Closed establishments	-46.63	-16.6	-30.34	-16.29
Net change in employment	4.44	6.3	-1.01	5.45

Source: U.S. Department of Commerce, Bureau of the Census, Statistics of U.S. Businesses, 2001.

**Table 3.** Number of Banks in Arkansas by Asset Size, 1995 – 2003

Number of Banks Per Year					Number of Banks by Asset Size, 2003				
1995	2000	2001	2002	2003	Below \$100M	\$100M–\$500M	\$500–\$1B	\$1B–\$10B	Over \$10B
251	194	183	170	166	69	90	5	2	0

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's website at [www.sba.gov/advocacy/lending](http://www.sba.gov/advocacy/lending).