

Small Business Profile: TENNESSEE

In Tennessee, 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 471,316 small businesses in Tennessee in 2004.¹ Of the 109,853 firms with employees, an estimated 97.2 percent, or 106,729, were small firms. In 2004, the estimated number of employer businesses decreased by .05 percent. The number of self-employed persons (including incorporated) decreased overall by 11.6 percent, from 327,013 in 2003 to 289,202 in 2004. Non-employer businesses numbered 364,587 in 2002, an increase of 4.2 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 117,970, an increase of 18 percent from 1997, and generated \$17.8 billion in revenues. Firms owned jointly by women and men numbered 51,257 with revenues of \$11.0 billion. Women represented 32 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 4,301, an increase of 18 percent from 1997. Black-owned firms numbered 26,816, an increase of 33 percent; Asian-owned firms numbered 7,245, an increase of 40 percent; American Indian and Alaska Native-owned firms numbered 3,567, a decrease of 5 percent; and the number of Native Hawaiian and other Pacific Islander-owned businesses was unavailable.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 17,415 new employer businesses in 2004, 1.6 percent less than the previous year. Business terminations numbered 16,520 in 2004, an increase of 1.3 percent. Business bankruptcies decreased by 8.2 percent and totaled 548 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 97,856 in 2002 and employed 1,032,883 individuals, or 45.1 percent of the state's non-farm private sector (Table 1).³ Net job gains among firms with fewer than 20 employees totaled 10,453, while large firms with 500 or more employees lost 74,138 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 7.7 percent, from \$18.3 billion in 2002 to \$19.7 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 Tennessee 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 Tennessee by Industry and Firm Size, 2002 (Thousands)

Industry	Non-employer firms	Employer firms			Employment		
		Total	< 100	< 500	Total	< 100	< 500
Total	364.59	100.72	95.30	97.86	2,291.50	730.92	1,032.88
Agriculture, forestry, fishing, and hunting	4.38	0.32	0.31	0.31	1.46	*	1.41
Mining	0.32	0.14	0.11	0.12	3.61	*	1.44
Utilities	0.21	0.09	0.06	0.07	3.93	1.28	2.47
Construction	62.9	10.50	10.29	10.42	113.31	76.59	94.78
Manufacturing	5.57	6.16	5.08	5.53	408.39	67.17	124.93
Wholesale trade	28.27	6.32	5.46	5.79	122.65	47.32	66.46
Retail trade	42.22	15.74	14.96	15.24	306.72	102.58	125.38
Transportation and warehousing	18.02	3.31	2.98	3.11	100.59	22.62	32.49
Information	0	1.50	1.30	1.36	56.60	10.10	14.84
Finance and insurance	11.81	4.72	4.31	4.47	106.76	25.11	37.64
Real estate; rental and leasing	30.45	4.06	3.86	3.94	33.65	17.11	21.88
Professional, scientific, and technical services	39.98	9.84	9.45	9.60	99.72	51.25	63.41
Management of companies and enterprises	N/A	0.70	0.22	0.40	63.92	1.56	6.17
Admin., support, waste mgmt. and remed. svces.	28.87	4.88	4.41	4.62	163.98	35.65	60.88
Educational services	5.18	0.97	0.85	0.94	44.36	9.33	22.41
Health care and social assistance	21.92	10.18	9.68	9.99	293.84	81.79	131.7
Arts, entertainment, and recreation	18.35	2.02	1.95	2.00	23.44	14.26	20.06
Accommodation and food services	4.94	6.77	6.38	6.57	204.19	79.31	105
Other services	58.37	13.69	13.45	13.57	114.59	84.24	97.4
Auxiliary, except corp., subsidiary, and regional managing offices	N/A	0.20	0.03	0.06	24.84	0.34	1.19
Unclassified	N/A	0.54	0.54	0.54	0.96	0.96	0.96

*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 Tennessee, 2001–2002 (Thousands)

	Firm size (number of employees)			
	Total	1–19	1–499	500+
Job gains:				
New establishments	141.85	32.27	82.96	58.90
Expanding establishments	217.66	53.03	110.33	107.32
Job losses:				
Downsized establishments	-299.81	-41.57	-136.16	-163.64
Closed establishments	-148.35	-33.28	-71.64	-76.71
Net change in employment	-88.65	10.45	-14.51	-74.14

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

Table 3. Number of Banks in Tennessee 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
243	194	190	189	190	89	86	9	3	3

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.