

## Small Business Profile: ALABAMA

Small businesses make a significant contribution to the U.S. economy, and in 2003, they were the engine of Alabama'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 Alabama, 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 Alabama in 2003 was 313,100.<sup>1</sup> Of the 85,768 employer firms in 2003, 97.2 percent or an estimated 83,400 were small firms. The estimated number of employer businesses decreased by 0.1 percent in 2003. The most recent data available show that non-employer businesses numbered 229,687 in 2001. Self-employment increased by 17.5 percent, from 118,490 in 2002 to 139,208 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 increased by 18.2 percent, from 42,882 in 2002 to 50,687 in 2003 and represented 37.3 percent of self-employed persons in the state. Women-owned businesses generated \$10.2 billion in revenues, employed 97,966 workers, and constituted 69,500 firms or 24.4 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, 16.6 percent or 4,700 of the minority-owned businesses in the state were employer firms, and they generated 85.5 percent of the total minority-owned business revenue of \$3.2 billion. There were 2,900 Hispanic-owned businesses; 19,100 Black-owned businesses; 3,300 Asian and Pacific Islander-owned businesses; and 3,500 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 9,014 in 2003, which is 5.5 percent less than

the previous year. Business bankruptcies decreased by 24.7 percent, and totaled 287 in 2003. Business terminations decreased by 9.4 percent and numbered 10,927 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 76,554 in 2001 and employed 794,200 people or 49 percent of the state's non-farm private workforce (Table 1).<sup>2</sup> Total net employment loss in the state amounted to 32,555 between 2000 and 2001. Of that number, 15,933 are attributable to MSAs (metropolitan statistical areas). During the same time period, firms with fewer than 20 employees gained 6,264 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 7.4 percent, from \$9.1 billion in 2002 to \$9.7 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 Alabama (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).

<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 Alabama by Industry and Firm Size, 2001 (Thousands)**

Industry	Non-employer Firms	Employer Firms			Employment		
		Total	< 100	< 500	Total	< 100	< 500
<b>Total</b>	<b>229.69</b>	<b>78.8</b>	<b>74.83</b>	<b>76.55</b>	<b>1,620.95</b>	<b>574.9</b>	<b>794.2</b>
Agriculture, forestry, fishing, and hunting	4.55	1.08	1.06	1.07	8.21	*	7.95
Mining	0.51	0.21	0.16	0.17	7.35	2.06	2.5
Utilities	0.17	0.16	0.14	0.15	14.9	1.78	2.5
Construction	38.96	9.21	9.04	9.16	102.47	69.18	86.93
Manufacturing	3.89	4.61	3.82	4.14	312.35	53.26	93.42
Wholesale trade	5.17	4.94	4.29	4.52	79.87	4.29	52.26
Retail trade	27.7	13.21	12.57	12.78	227.37	12.57	103.85
Transportation and warehousing	11.37	2.76	2.52	2.61	47.49	2.52	25.3
Information	2.15	0.87	0.74	0.76	36.88	6.98	9.48
Finance and insurance	7.36	3.08	2.84	2.91	72.32	17.19	23.75
Real estate; rental and leasing	20.5	2.97	2.84	2.89	23.79	12.45	23.79
Professional, scientific, and technical services	24.17	7.92	7.63	7.75	76.06	42.94	55.61
Management of companies and enterprises	N/A	0.4	0.11	0.23	20.28	1.1	4.33
Admin., support, waste mngt., and remed., services	16.07	3.57	3.23	3.36	123.74	3.23	41.7
Educational services	3.17	0.73	0.68	0.71	21.13	8.51	14.43
Health care and social assistance	12.05	7.22	6.88	7.09	208.13	59.77	95.68
Arts, entertainment, and recreation	6.61	0.94	0.91	0.93	14.17	8.55	11.96
Accommodation and food services	2.64	4.7	4.43	4.55	127.78	52.22	71.19
Other services	42.67	10.63	10.45	10.54	84.35	65.33	74.57
Auxiliary, except corp, subsidiary, and regional managing offices	N/A	0.11	0.01	0.03	11.37	*	0.46
Unclassified	N/A	0.76	0.76	0.95	0.95	*	0.95

\*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	94.91	26.13	47.06	47.85
Expanding establishments	141.62	39.03	87.57	54.05
Job Losses:				
Downsized establishments	-182.04	-31.3	-84.58	-97.46
Closed establishments	-87.05	-27.6	-51.46	-35.58
Net change in employment	-32.56	6.26	-1.41	-31.15

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

**Table 3. Number of Banks in Alabama 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
187	158	157	153	150	74	59	9	3	5

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/advo/lending](http://www.sba.gov/advo/lending).