

1992 Survey of Business Owners Summaries of Findings

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SUMMARY OF FINDINGS _____ CHARACTERISTICS OF BUSINESS OWNERS

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The 1992 Characteristics of Business Owners (CBO) Survey was conducted to expand on the data published in the 1992 Economic Census reports: Survey of Minority-Owned Business Enterprises (SMOBE), MB92-1, -2, -3, and -4, and Survey of Women-Owned Businesses (WOB) WB92-1.

CBO provides owner and business characteristics by race, ethnicity, gender, kind of business, size of business, and legal form of organization for individual proprietorships, partnerships, and subchapter S corporations.

The 1992 Economic Census programs identified almost 17.3 million individual proprietorships, partnerships, and subchapter S corporations with sales and receipts of \$3.3 trillion. Table A provides summary totals of these firms by business ownership group based on the responses to SMOBE, WOB, and the Economic Census.

Table A. Business Ownership Group: 1992

Ownership Group	Firms (number)	Sales and Receipts (\$1,000,000)
All businesses \1	17,253,143	3,324,200
All minorities \1	1,965,565	202,011
Hispanic	771,708	72,824
Black	620,912	32,197
Other minority (API/AIAN) \2	606,426	99,709
Women	5,888,883	642,484
Nonminority male	10,114,456	2,526,942

\1 Detail does not add to total because of inclusion of some firms in more than one group. Firms that were equally owned by two or more minorities are included in the data for each minority group, but counted only once at total levels.

\2 Other minority includes Asian, Pacific Islander, American Indian, and Alaska Native (API/AIAN).

The SMOBE and WOB reports show that most of these firms were concentrated in the service industries. Forty-five percent of all U.S. firms, 48 percent of the minority-owned firms, 54 percent of the firms owned by women, and 41 percent of the firms owned by nonminority males were classified as services. Retail trade has the next largest share with 14 percent of all U.S. firms, 16 percent of the minority-owned firms, and 19 percent of the women-owned firms. However, construction has the second largest share (15 percent) of the nonminority male-owned firms.

These same reports show that while the nonminority male- and women-owned firms are spread across all States, more than half of all minority-owned firms are located in just four states: California, Texas, Florida, and New York. Approximately 47 percent of the minority population is concentrated in these four states.

=>OWNER CHARACTERISTICS

The 1992 CBO Survey shows that nearly 50 percent of the business owners in each group were between the ages of 35 and 54 years of age in 1992, and over half of those individuals were in the 35 to 44 year age bracket. Overall, 70 percent of the owners were married. Fourteen percent of the owners of women-owned firms responded as veterans, compared to 31 percent of the owners of nonminority male-owned firms. Forty-five percent of Hispanic business owners and 63 percent of API/AIAN business owners were not born in the United States. The highest percentage of college graduates

(approximately 49 percent) was among API/AIAN business owners. Twenty-one percent of those same individuals completed graduate school. The education and foreign born percentages for the API/AIAN group are dominated by the Asians and Pacific Islanders.

=>HOME-BASED BUSINESSES

Overall, approximately 50 percent of businesses in 1992 were home-based. As expected, the percentage of firms operated from a home tended to be higher for smaller firms. Fifty-seven percent of businesses with receipts less than \$25,000 in 1992 were home-based, compared to 26 percent of firms with receipts of \$25,000 to \$199,999, 16 percent of firms with receipts of \$200,000 to \$999,999, and only 5 percent of firms with receipts of \$1,000,000 or more.

Fifty-four percent of the individual proprietorships were home-based businesses in 1992. These same statistics for small corporations and partnerships were considerably less with only 27 percent of those firms operating from a home.

Of the home-based businesses, male-owned firms were more likely to use the residence to do clerical work only or to telecommute. In contrast, home-based women-owned firms were more likely to use their residences to produce goods or services on the premises.

=>CAPITAL REQUIREMENTS

Information was collected separately on owners' sources of capital to start or acquire their businesses, and the firms' use of business loans to acquire startup capital.

Owners-The majority of 1992 business owners started their enterprises with less than \$5,000. The highest percentage (66 percent) was among the owners of Black-owned firms. Owners of API/AIAN-owned firms started with the most capital; 10 percent of them began their businesses with \$100,000 or more. Forty-four percent of the owners did not borrow their starting capital, but used money or assets of their own or from their families.

Firms-Most firms (approximately 60 percent) reported that the businesses were started or acquired with no cash outlay or with less than \$5,000. Forty-three percent of all firms did not borrow money to start or acquire their businesses.

Of the firms which borrowed money, 24 to 30 percent of the partnerships and subchapter S corporations reported that their capital originated from business loans from banking or commercial lending institutions. However, only 10 percent of the individual proprietorships reported that their borrowed capital was provided by bank loans. Less than 1 percent of the businesses reported that the money borrowed was provided by government-guaranteed loans.

=>OWNER'S WORK EXPERIENCE

Sixty-six percent of the business owners stated that the business they owned in 1992 was the first one they had owned. Overall, most of the business owners reported that they were the original founders of the business (approximately 69 percent). Approximately 21 percent purchased their share of the business or received a transfer of ownership in the business. However, for firms with \$50,000 or more in receipts in 1992, the larger the receipts size of the firm, the less likely the business was to be owned by the "original founder."

Fifty-two percent of business owners had 10 or more years of work experience prior to starting/acquiring their business. However, 66 percent of business owners reported having no prior experience as the owner of another business.

Fifty-one percent of the business owners managed or worked in their business the entire year. About 35 percent of business owners averaged more than 40 hours per week in their business, while 36 percent worked less than 20 hours per week. The percentage of business owners working less than 20 hours per week was highest in the finance, insurance, and real estate sector. The percent of owners working part-time ranged from 46 percent for Hispanics to 56 percent for women. However, for firms with between \$200,000 and \$1,000,000 in sales and receipts, 59 percent of women business owners worked more than 40 hours per week compared to 35 percent of all businesses.

=>PROFITABILITY

In 1992, 35 percent of business owners reported that 75 percent or more of their total personal income was produced as a result of their business, while 36 percent reported that none or less than 10 percent of their income came from the business.

Thirty-nine percent of businesses reported a net profit of less than \$10,000 from their business while another 21 percent claimed a profit of \$10,000 or more. However, 20 percent of the businesses reported experiencing a net loss in 1992.

=>WORK FORCE CHARACTERISTICS

Hispanic-owned firms hired fewer women employees than any other group. Thirty-two percent of the owners of Hispanic-owned employer firms reported that in 1992 less than 10 percent of their employees were women. Forty-eight percent of women-owned firms reported that 50 percent or more of their employees were women. This compares to only 35 percent of male-owned firms. Survey results indicate that minorities hire minorities. Fourteen to 33 percent of the owners of minority-owned employer firms reported that their work force consisted of 76 to 100 percent minority employees.

=>EXPORTS

Nine percent of manufacturing firms reported that some sales resulted from exporting. This ranged from 1 percent of Black-owned manufacturing firms to 11 percent of nonminority male-owned manufacturing firms.

Seven percent of wholesale firms reported having some export sales. Percent of sales resulting from exports varied more widely among the wholesalers from 5 percent of Black-owned firms to 20 percent of Hispanic-owned firms and 20 percent of API/AIAN-owned firms.

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