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# Trends for Rural Small Businesses in the North Central Region: Owner and Small Business Demographics

*Renee D. Wiatt, North Central Regional Center for Rural Development*

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Small businesses are critical to their rural communities. Often serving as a meeting place and social hub for local citizens, small businesses in rural areas deliver more than just goods and services. This article explores the trends for rural businesses in the North Central Region (NCR) by examining the owner and small business demographics using the NCR-Stat: Small Business Survey.

## Are Rural Small Businesses Important in the U.S.?

The Small Business Administration (SBA) defines small businesses as those with less than 500 employees (Wilmoth, 2023). Holding steady since 1979, between 97-99% of U.S. firms have been categorized as small businesses. While the NCR-Stat: Small Business Survey (Wiatt et al., 2024) found that the North Central Region consists of roughly 40% nonemployers, the SBA found in 2022 that roughly 82% of small businesses are nonemployers (or self-employers) (Williamson, 2023).

In the United States, small businesses account for roughly 84.8% of establishments and account for 54.3% of employment for workers in rural counties (Wilmoth, 2023). In metropolitan counties, however, small businesses account for 82.5% of establishments. Project Equity (n.d.), a non-profit helping businesses transition to employee ownership, states that “locally owned businesses circulate three times more money back into the local economy than absentee-owned firms or corporate chains.”

An important facet of small businesses is how people view them. In general, small businesses are trusted by citizens and considered integral in rural communities. Small businesses are often described as rugged, the little guy, straight shooters, mom and pop shops, innovative, dependable, and community-focused (Gray, 2023). Gallup conducts a poll measuring confidence in institutions (Brenan, 2024). Historically, respondents have had high confidence in small businesses, ranging from 57-75% of people having high confidence in them beginning in 1989. As of June 2024, the poll showed that 68% of respondents had high confidence in small businesses and 61% of respondents had high confidence in the military. In contrast, only 4% and 6% of respondents had high confidence in Congress and television news, respectively (Brenan, 2024).

## North Central Region Small Business Owner Demographics

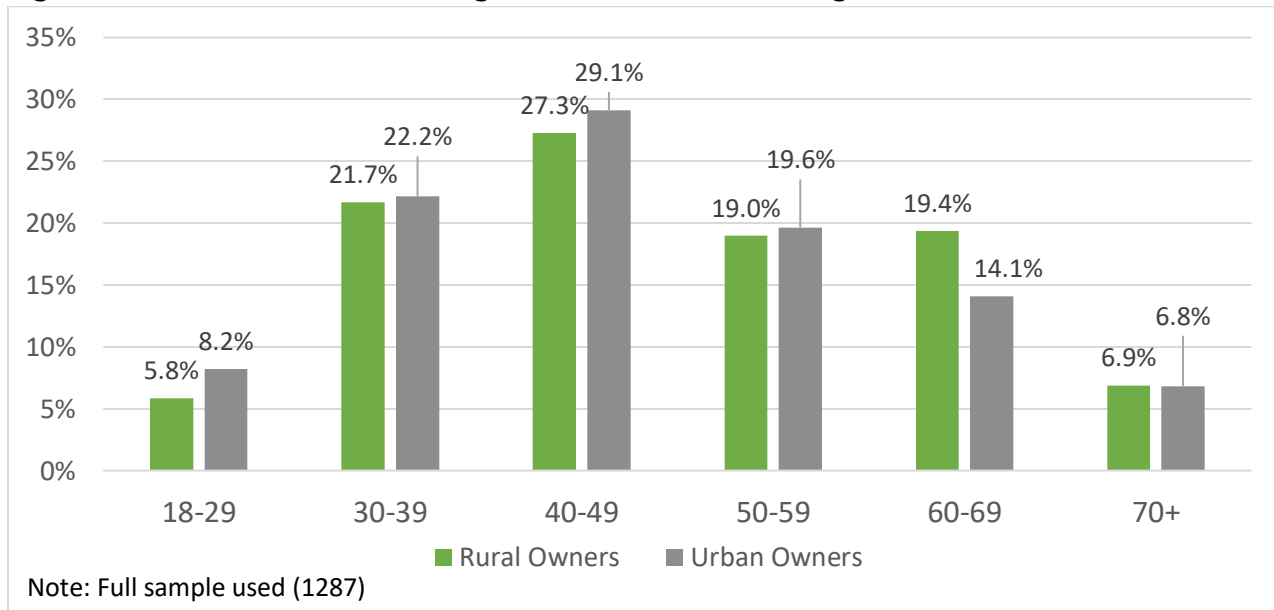
### Age

The NCR-Stat: Small Business Survey (Wiatt et al., 2024) captured data on North Central Region’s business owners, their business, community, and family. Comparing rural and urban small business owner ages, there is a slightly higher percentage of rural owners in the 60–69-year age range. On average, rural small business owners tend to be slightly older than urban small business owners and may work longer past retirement age as well. However, in some states, mean business owner age was lower for rural small business owners than for urban small business owners. See Figure 1 to see the mean age of small business owners by rural/urban designation and state. Overall, rural business owners have mean age of 48.8, while urban owners have a mean age of 47.5. Figure 2 shows that there is a higher percentage of urban business owners in the 18–59-year age range than rural business owners. Considering the 60–69-year age range, those owners are either entering retirement age or are already there.

**Figure 1. Mean Age of Small Business Owners by State**



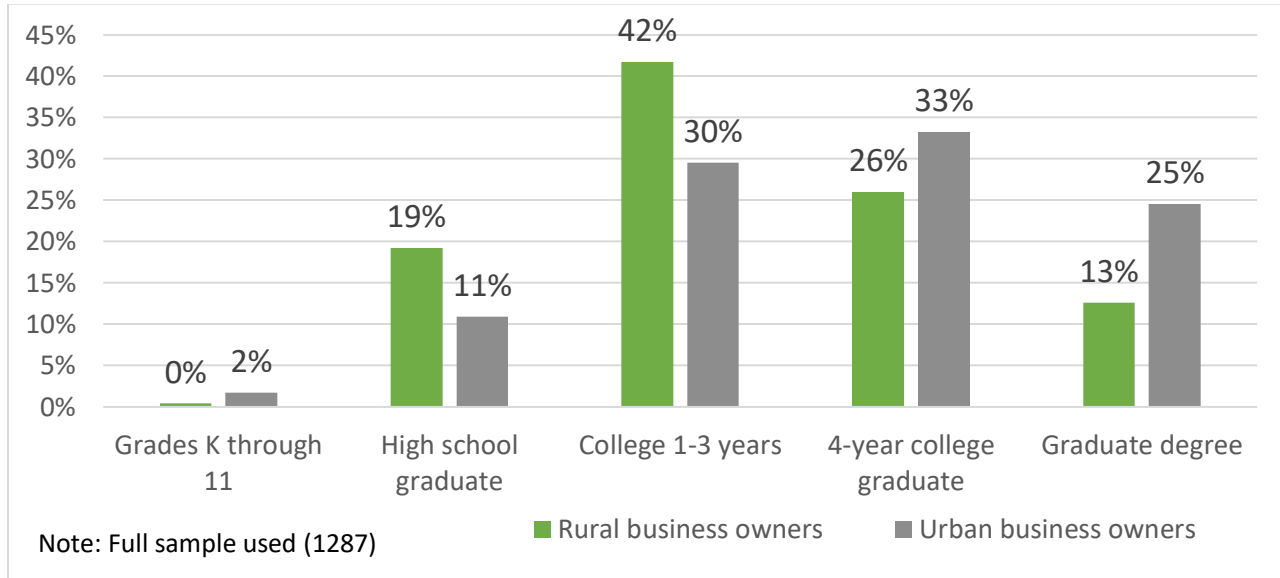
**Figure 2. Small Business Owner Age in the North Central Region**



## Education

The education level of rural and urban business owners is shown in Figure 3. A higher percentage of rural business owners fell into the categories of high school graduate and some college education (1-3 years) than urban business owners. However, roughly a quarter of urban business owners have a graduate degree and roughly a third have a 4-year college degree.

**Figure 3. Small Business Owner Education Level**

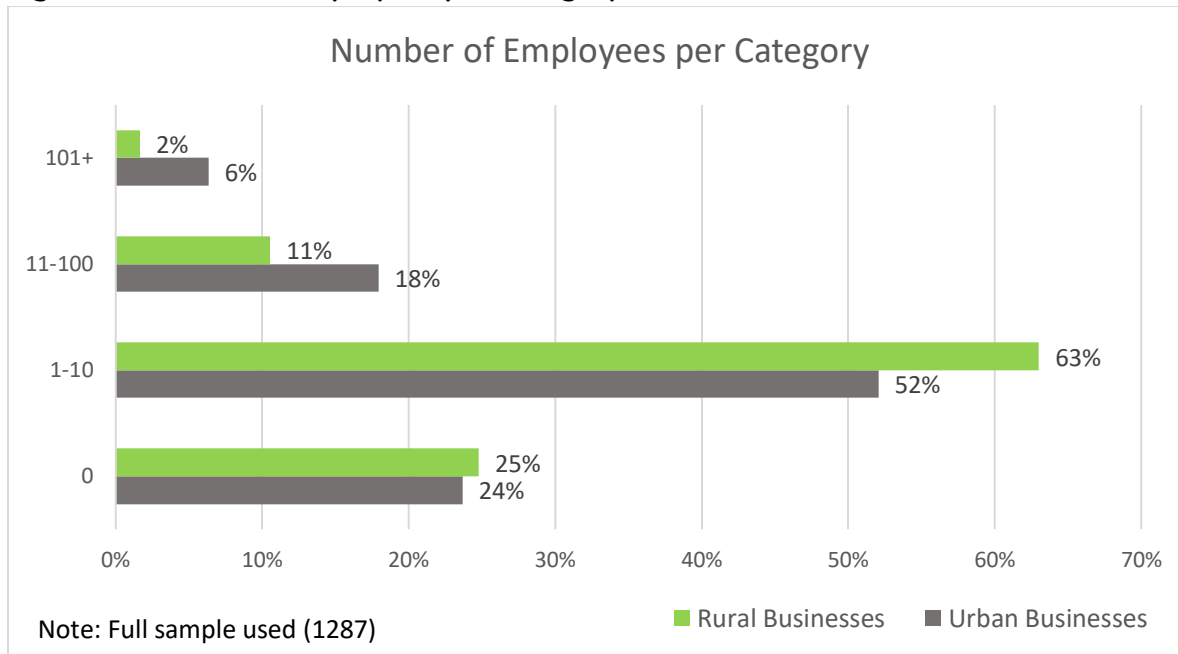


## Small Business Demographics

### Small Business Size

The NCR-Stat: Small Business Survey (Wiatt et al., 2024) utilized the SBA's definition of small business which are those companies with fewer than 500 employees (Wilmoth, 2023). However, to many people, 500 employees is a large number. Many small businesses in this data were non-employers, meaning that only the owner is a part of the business without any paid employees. Roughly a quarter of both urban and rural small businesses in this sample were non-employers. Figure 4 shows the number of employees per range. However, the average number of employees for rural businesses was around 9 when non-employers were included and about 11.8 employees when non-employers were not included. The average number of employees for urban businesses was roughly 21 when non-employers were included and roughly 27 when non-employers were not included. Overall, urban businesses, on average, employed more individuals and were more likely to have employees than rural businesses. Rural businesses were more likely to be non-employers or have 1-10 employees.

**Figure 4. Number of Employees per Category**



### ***Small Business Operational Location***

Homebased businesses are those operated from a residential location (most often that of the owner) instead of operating from a commercial location. In the NCR-Stat: Small Business Survey, small business owners were asked to indicate where they operate their business, either at a residential or commercial location (Wiatt et al., 2024). Of the 1,260 North Central Region small business owners who indicated where their business was operating, about 61% (773 small businesses) were homebased. Figure 5 reveals that roughly 46% of rural businesses were homebased and employers, whereas roughly 18% of rural businesses were homebased and non-employers. For urban businesses, roughly 39% were homebased and employer businesses, but only 19% of urban businesses were homebased and non-employers.

**Figure 5. Homebased Business Percentage Among Rural and Urban Small Businesses**

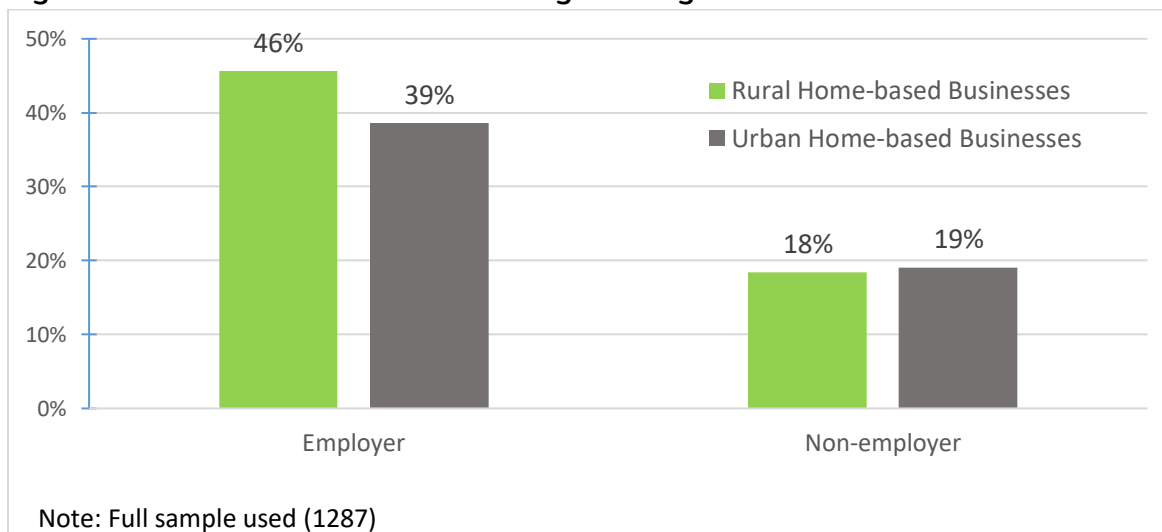
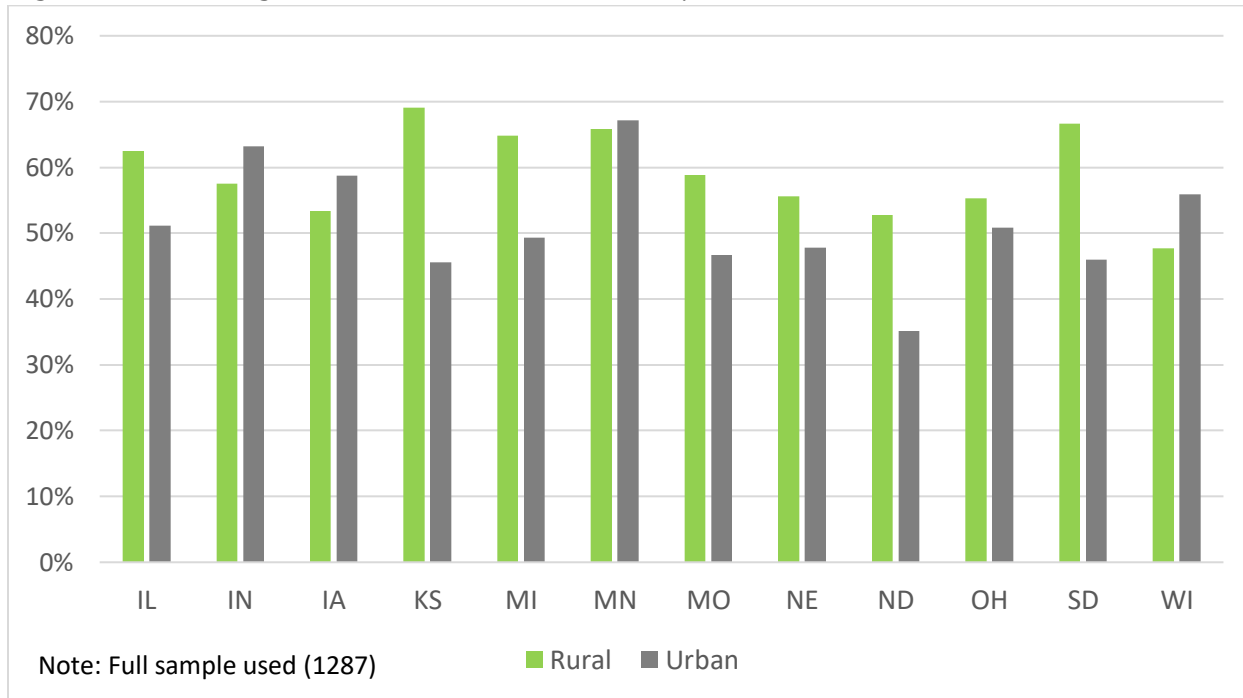


Figure 6 (below) displays the state-by-state breakdown of rural and urban homebased businesses. For example, there is a distinct difference in percentage of Kansas businesses that are homebased in rural and urban areas. For example, roughly 69% of Kansas rural businesses are homebased, whereas only 46% of Kansas urban businesses are homebased. Other states have similar percentages between rural and urban businesses that are homebased. Minnesota is a state with 66% of rural businesses and 67% of urban businesses being homebased, respectively.

**Figure 6. Percentage of Homebased Businesses by State**



## Conclusion

Rural small businesses have been and continue to be the backbone of their local community. Made up of predominantly very small or self-employed firms, small businesses in the U.S. are generally considered trustworthy by most of the American population. Small business owners are aging, with roughly a fifth to a quarter of rural and urban small business owners at or over 60 years of age. A substantial number of small businesses are homebased businesses. As small businesses continue to be important and valuable in their communities, care must be taken to make sure that small businesses continue to be relevant and are positioned to transition to the next generation.

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NCR-Stat is a North Central regional panel dataset being developed by NCRCRD as a venue and incentive for interdisciplinary collaboration across states and across research and extension. [NCR-Stat Baseline Dataset](#)