

# Understanding rural small businesses in the federal marketplace



*Identifying potential opportunities for U.S. Small Business Administration programs and outreach to support rural small businesses*

## Summary

The goal of this evaluation was to help the U.S. Small Business Administration (SBA) identify opportunities to support rural small businesses and increase their participation in federal procurement. We found that many rural small businesses are potentially eligible for, but not participating in, SBA certification programs that support small businesses. They are relatively under-registered in SAM.gov, and receive a small percent of prime federal awards. Across sectors, we estimated that rural small businesses only register to compete for, and win, federal awards at high rates in a small number of sectors; in most sectors they have a very small presence in the federal market.

## Agency priority

Promoting [rural small businesses](#) is an SBA priority under the current Administration, and the agency is making additional resources and financial support available to them. To further these efforts, the SBA is seeking to identify opportunities for expanding the scope of rural small businesses in the federal marketplace and to support more of these firms by expanding the number participating in SBA programs. To better serve this population, the agency needs detailed descriptive information about the industries in which rural small businesses frequently win federal awards or may be underrepresented in the federal market, as well as cases in which rural small businesses are potentially missing out on SBA programs for which they are eligible.

## What we evaluated

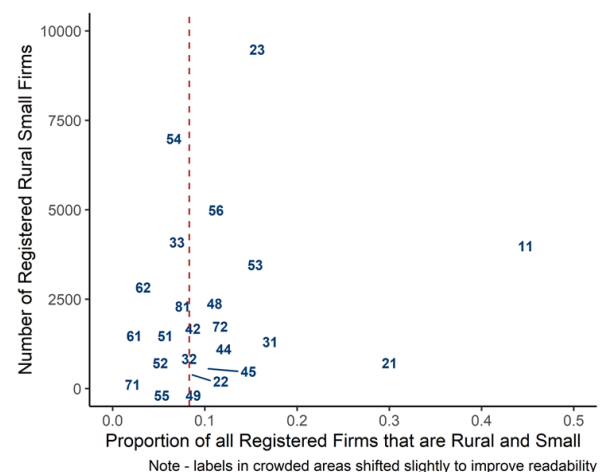
We partnered with the SBA on a descriptive evaluation of the current state of rural small businesses in America. We combined data from [SAM.gov](#), the U.S. government system for contracting, with Rural-Urban Commuting Area (RUCA) data from the U.S. Department of Agriculture to answer priority questions about the number of rural small firms registered in SAM.gov,

the proportion of registered firms that are rural and small, the proportion of contracts going to these firms, and the uptake of SBA programs by rural small businesses. We focused on understanding how these rates vary by industry. We identified firms as “small” if they qualify as small within their primary industry according to SBA standards.

## What we learned

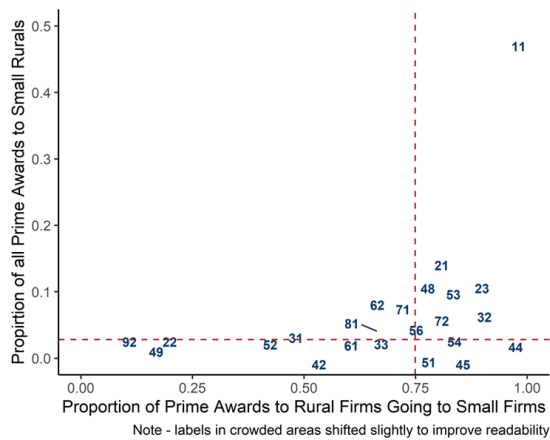
We found that there are 49,075 rural and small firms registered on SAM.gov, representing 8.5% of all registered firms. The number of registered rural small businesses varies considerably by industry — as does the proportion of each industry that are rural and small (Figure 1). NAICS codes 23 (Construction) and 54 (Professional, Scientific, and Technical Services) comprise 19% and 14% of all registered rural small businesses. However, this reflects the size of these industries rather than the strength of rural small businesses in these areas. The NAICS codes in which rural small businesses comprise the largest percentage of all registered businesses are 11 (Agriculture, Forestry, Fishing, and Hunting, 43%) and 21 (Mining, Quarrying, and Oil and Gas Extraction, 28%).

**Figure 1.** The number of rural small businesses registered on SAM.gov and the proportion of registered firms that are rural small businesses, by 2-digit NAICS industry code



We also found that only 2.8% of all prime awards and 3.5% of all subcontracts go to rural small businesses (Figure 2).<sup>1</sup> In contrast, in NAICS code 11 (Agriculture, Forestry, Fishing and Hunting), 45% of prime awards go to rural small businesses. While rural small businesses win a small fraction of all awards (prime and subcontracts), they win a large share of the awards that go to rural firms of any size. Of the prime awards going to rural businesses, 75% are going to rural *small* businesses.

**Figure 2.** The proportion of prime awards going to rural small businesses and the proportion of all prime awards to rural businesses that go to small businesses, by 2-digit NAICS industry code



Finally, we found that 13% of rural small businesses registered on SAM.gov participate in at least one SBA program, while 83% of rural small businesses are potentially eligible for a SBA program they are not currently participating in. HUBZone (64%) and 8(a) (43%) have the highest percentage of non-participants who are potentially eligible.<sup>2</sup> Currently, only 7% and 2% of likely eligible small businesses participate in each program respectively. Smaller, but meaningful, percentages of rural small businesses are also potentially eligible for woman-owned (WOSB, 21%) and veteran-owned (VOSB, 9%) small business programs compared to the 2% and 5% that are currently participating.<sup>3</sup>

<sup>1</sup> A prime award recipient is the primary recipient of the funding and is responsible for its use and management.

<sup>2</sup> HUBZone supports small businesses in historically underutilized business zones and 8(a) supports small businesses who are socially and economically disadvantaged.

<sup>3</sup> Estimated counts and proportions should be interpreted with

## Applying the findings

This evaluation shows that while there are a few industries with many rural small businesses registered in SAM.gov that are successful in obtaining federal contract awards, in most industries rural small businesses are largely absent from federal procurement. Moreover, the dearth of rural small businesses in procurement generally reflects a broader lack of awards to rural firms of any size.

In addition to further analysis to address data limitations, actions the SBA could take include designing and evaluating:

1. Outreach to rural small businesses encouraging them to register and explore opportunities on SAM.gov, or take advantage of the SBA's capital access programs, with the goal of [better servicing Main Streets across America](#) and strengthening U.S. supply chains and national competitiveness.
2. Interventions designed to help rural small businesses meet federal procurement requirements, mitigate barriers or bottlenecks they face in the bidding process, and scale into more competitive mid-size suppliers.
3. Interventions targeting federal buyers who are active in areas of the business sector in which there is underutilization of rural small businesses but a high volume of federal awards.
4. Interventions to encourage rural small businesses, who are potentially eligible for SBA programs but have not utilized them in the past, to participate in SBA programs, and analysis to understand the impact of these programs on awards.

caution given data availability limits discussed in our [analysis plan](#). However, this summary makes the best use of readily available data to help guide SBA decision-makers.