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Post-Pandemic Entrepreneurial Growth

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Economic prosperity, especially for smaller and more rural communities, relies upon entrepreneurs and small businesses. The pandemic created many economic hardships, but a resurgent interest in entrepreneurship remains a positive that emerged from this period. There are many different motivations for wanting to start a business—the desire to create a company, work independently, or simply to generate supplemental income. During the height of the pandemic, many people pursued entrepreneurial activities out of necessity; in the absence of a job, they sought to create their own.

The U.S. Census Bureau’s [Business Formation Statistics](#) program publishes data that track business and entrepreneurial activity. Among other things, this program provides information on new business applications, including annual counts of new business applications at the county level.¹ Not all business applications turn into businesses, but these data nevertheless provide a good proxy for entrepreneurial activity. As a result, this article begins by showing how the number of business applications have changed over time. It then considers how these trends vary between different states and regions. It concludes by highlighting several steps that can further promote and encourage local entrepreneurship.

Entrepreneurial Interest Grew Significantly Post-Pandemic

Over the past two decades the number of business applications grew significantly, with most of this growth occurring over the past five years. Figure 1 is an index that shows change in annual business applications using the USDA Economic Research Service’s County Economic Types.² The chart shows

¹ The U.S. Census Bureau’s [Business Formation Statistics](#) publishes data on new business formations and new business applications. Annual County-level business application data are released at the end of June, and are available through 2022. At the national and state levels, these data are available monthly and weekly.

² USDA ERS’ 2015 County Typology Codes classify all U.S. counties into six mutually exclusive categories of economic dependence—farm dependent, government dependent (which often includes counties with large state universities), manufacturing dependent, mining dependent, recreation counties, and nonspecialized counties. Nonspecialized counties are often found in more urban metro areas. More information about the county typology codes can be found on the USDA ERS website: <https://www.ers.usda.gov/data-products/county-typology-codes/>

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that since 2005 (the earliest data available), the annual number of business applications remained relatively consistent through most of the 2010s. Starting in 2017, business applications began to slowly rise above previous levels, but then accelerated in light of the pandemic. More specifically, monthly data (available at the national and state level) show that business applications spiked in June and July of 2020, when many people likely turned to entrepreneurship out of necessity. Even as the economy began recovering this trend continued, as nationwide there were more than twice as many business applications in 2021 as there had been 15 years prior.

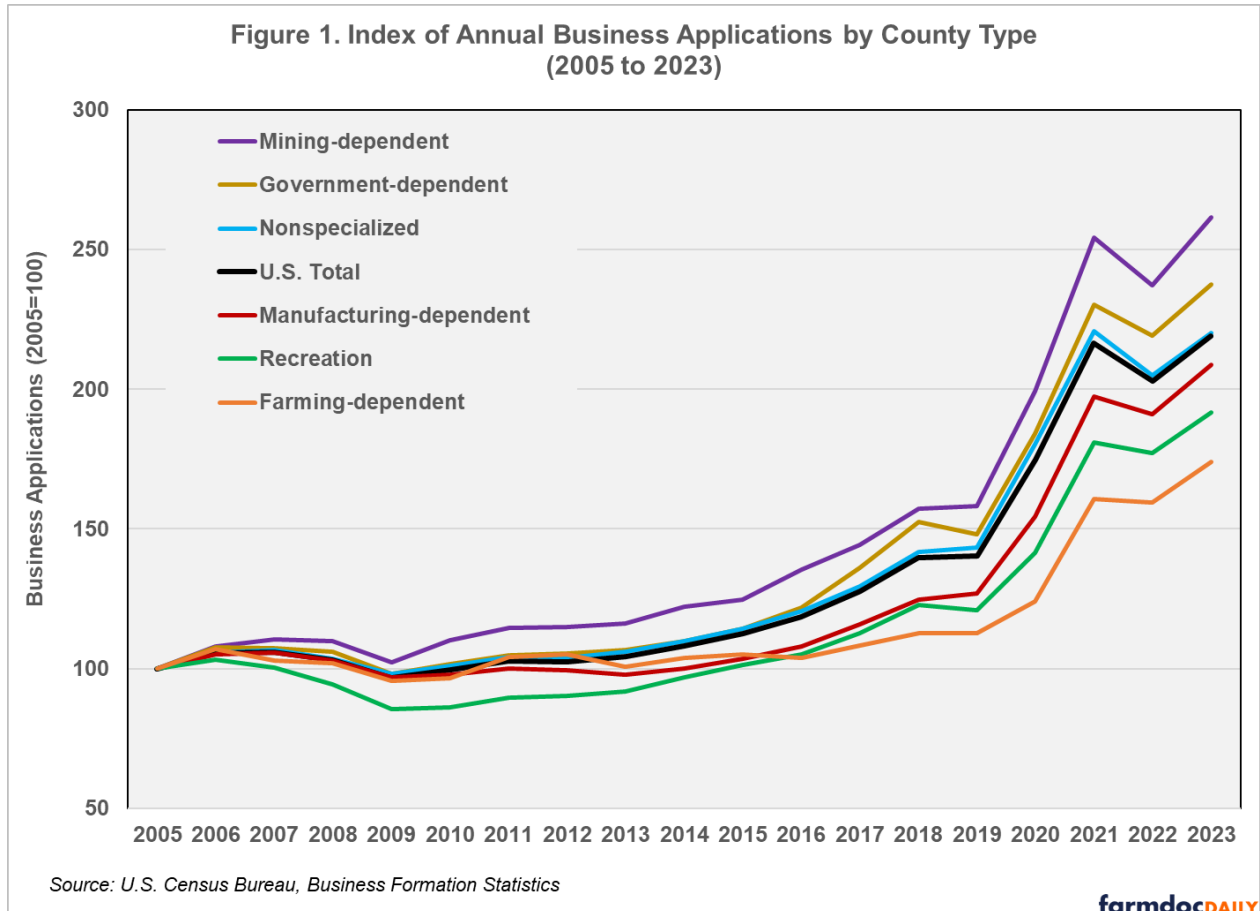


Figure 1 also shows that this general pattern held relatively consistent across different county types, although new business applications in some county types grew faster than in others. Notably, mining-dependent counties experienced the biggest increase. Many of these relatively rural counties have grown over the past 15 years, particularly those involved in natural gas extraction. Government-specialized counties also showed above average growth in business applications. These counties are often home to large public colleges and universities and therefore benefit from the innovative activities occurring at those institutions. Recreation and farming-dependent counties also experienced substantial growth in business applications, but the pace of growth in these often small and rural counties was slower than the national average.

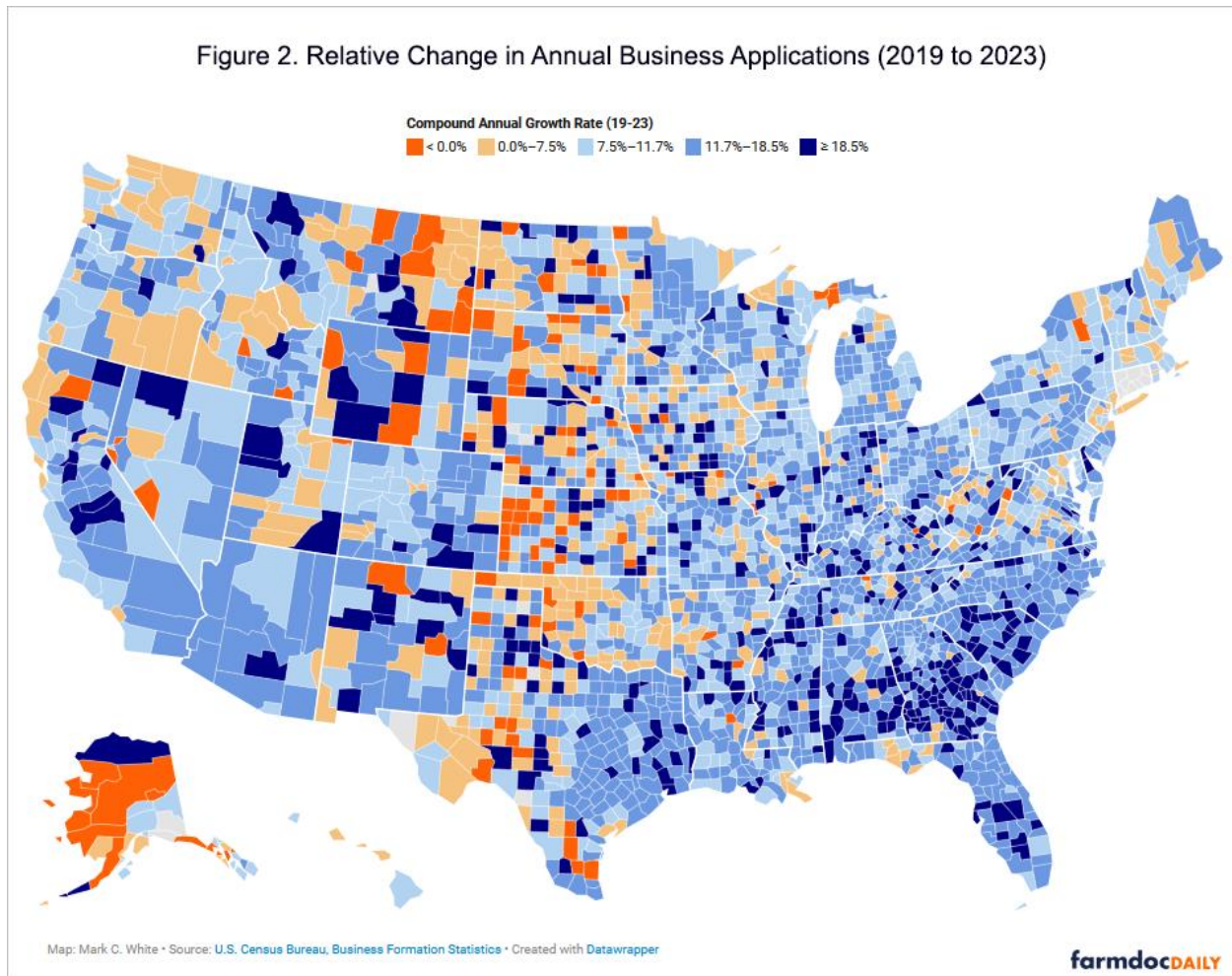
The Pace of New Business Applications Varies across States and Regions

In absolute terms, the largest states—California, Texas, Florida, New York, etc.—generate the greatest numbers of business applications. However, population size does not entirely explain these trends and change has been uneven. For instance, in 2023 Florida produced business applications at a higher rate (294 new business applications per 10,000 residents) than California (143 new business applications per 10,000 residents).

Nationwide, new business applications grew 11.7% annually between 2019 and 2023 with the fastest growth during the period occurring in two small states—Wyoming (32.8% annually) and Delaware (20.8%).

New Mexico (17.8%), South Carolina (15.5%), Indiana (14.7%), Alabama (14.6%), and Florida (14.1%) also had significant annual growth in new business applications between 2019 and 2023. The growth in new business applications during this period was slowest in Alaska (2.3%) and Hawaii (7.1%), North Dakota (6.8%), and parts of the Northeast (e.g., MA, VT, NY, RI) and Mid-Atlantic (e.g., MD, DC). New business applications grew in all states between 2019 and 2023, but only three states—Mississippi, Louisiana, and Vermont—had fewer new business applications in 2023 than they did in 2022.

As shown above, the pace of new business application growth varied between different county types. To demonstrate how entrepreneurial activity has changed before and after the pandemic, Figure 2 shows each county's compound annual growth rates for new business applications between 2019 and 2023.³ Some of the fastest relative growth occurred in the rural south, which indicates that necessity more than opportunity drove much of this entrepreneurial activity. By contrast, new business application growth has either declined or fallen below the national average in parts of the Great Plains, which often have older and shrinking populations.



Local Communities Can Support and Promote Entrepreneurial Activity

There are many ways that communities can support entrepreneurs and turn business applications into actual businesses. Learning the basics about how to run or start a business is a fundamental challenge that many entrepreneurs face. National service providers such as the Small Business Administration's [Small Business Development Centers](#) (SBDC) and the [Service Corps of Retired](#)

³ Data for Connecticut are not included because it is in the process of redefining the geographies for how these data are published by switching from counties to 'county equivalent' planning regions.

Executives (SCORE) all have regional representatives that offer counseling and mentoring services that help entrepreneurs develop business plans, complete grant applications, and/or identify potential financing options. However, the challenge facing many communities is that entrepreneurs often do not know these services exist or do not know how to access them. In a Fall 2023 survey of Illinois economic and community development leaders, 71% of survey respondents strongly or somewhat agreed that their community's entrepreneurs lacked awareness about available business support services (White, 2024).

Accessing these support services can prove particularly difficult for rural entrepreneurs. These service providers are often based in urban areas, where the density of entrepreneurial activity can be enough to keep them busy. That said, greater use of virtual meetings—which became more common place during the pandemic—can improve rural access to these support services. Beyond these types of entrepreneurial support services, many communities also provide business assistance through their public libraries. Public libraries offer resources such as computer access and basic business information that can prove especially vital for entrepreneurs from more disadvantaged communities. Communities can also support entrepreneurs that have actually started their business by providing facilities (e.g., business incubators) that allow entrepreneurs to move their business out of their home. Access to shared office and meeting space, or commercial kitchens for food-based businesses can enable entrepreneurs to grow their business without overextending their nascent business financially.

It is important to remember that entrepreneurial activity can come from many different groups including, but not limited to, the Hispanic population, disadvantaged communities, and/or women (Conroy and Low, 2021). To support the post-pandemic surge in entrepreneurship energy, we must recognize that there is no one size fits all solution for promoting entrepreneurship and creating new businesses. The needs of someone who wants to start a business may differ from the needs of someone who simply wants to earn some supplement income. Similarly, the pressures facing people engaging in opportunity-based entrepreneurship can differ from those involved in need-based entrepreneurship. These efforts, however, contribute greatly to the economic health and vitality for many communities across the country.

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