

# Bankrate

## Washington is the Friendliest State for Small Businesses; Louisiana is the Least Friendly

*Utah, Wyoming, Idaho and Nevada round out the top 5 friendliest states for small businesses*

NEW YORK - November 25, 2024 - As Small Business Saturday approaches, a new Bankrate study finds that Washington is the friendliest state for small businesses, while Louisiana is the least friendly state. The study analyzed six broad categories to determine which states have the best and worst environments for small businesses. Those categories include robustness of small business activity, availability and quality of labor, business costs, access to capital, infrastructure and policy and regulation. Washington excelled in three categories examined, including access to capital, the robustness of small business activity and the availability and quality of labor.

For more information: <https://www.bankrate.com/loans/small-business/best-and-worst-states-for-small-businesses-study/>

These are the top 10 and bottom 10 states:

<b>Top 10: Most friendly states for small businesses</b>	<b>Bottom 10: Least friendly states for small businesses</b>
1. Washington	50. Louisiana
2. Utah	49. Mississippi
3. Wyoming	48. Rhode Island
4. Idaho	47. West Virginia
5. Nevada	46. Hawaii
6. Florida	45. New Mexico
7. Oregon	44. Alabama
8. New Hampshire	43. Kentucky
9. South Dakota	42. Arkansas
10. Colorado	41. Maryland

Washington secured the top spot by excelling in three of the six categories examined. For example, Washington ranks second in the nation for Small Business Administration 7(a) loan approval amounts per small business. In terms of small business activity, small businesses employed 49% of the state's workforce as of 2021, according to the Census Bureau's Statistics of U.S. Businesses. Washington also secured a third-place ranking in terms of real gross domestic product (GDP) per capita.

Between March 2021 and March 2022, 29,963 small businesses opened and 13,419 closed in Washington, for a net increase of 16,544. That puts Washington in the top 10 for the largest net increase of small businesses per capita. Lastly, in availability and quality of labor, small businesses contributed a net increase of 161,791 jobs, or 86% of total jobs added in the state between 2021 and 2022, according to the Bureau of Labor Statistics' Business Employment Dynamics data.

Other western states round out the top five friendliest states for small businesses, including Utah, Wyoming, Idaho and Nevada.

Conversely, Louisiana is the least friendly state for small businesses, ranking poorly in several metrics analyzed in the study. The state has a greater shortage of workers and the lowest average literacy and numeracy scores for adults in the country. The amount of Small Business Administration 7(a) loans approved based on the number of small businesses in the state is low, and it is the only state where the number of small business closures exceeded openings between March 2021 and March 2022. Louisiana also had the second-lowest percentage of total net job creation from small businesses between March 2021 and March 2022.

Mississippi, Rhode Island, West Virginia and Hawaii round out the top five least friendly states for small business due to unfavorable rankings in the metrics analyzed.

"Small businesses are often viewed as the engine that powers the U.S. economy, since they account for about two-thirds of new jobs and employ nearly half of all U.S. workers," said Bankrate Senior Industry Analyst Ted Rossman. "While innovation and ingenuity are happening all over the country, our study reveals that some states are better positioned than others to promote small business growth. Many western states fared especially well in our rankings. Generally speaking, these states are tax-friendly, they have good infrastructure and a more educated pool of prospective employees."

### **Methodology:**

Bankrate's Small Business Study analyzed 18 data points from public and private databases across six broad categories to determine which states have the friendliest and least friendly environments for small businesses. We used the most recent available figures, but the COVID-19 pandemic may skew some data. Bankrate also calculated some metrics on a per capita basis to allow for a more fair comparison of large and small states. Here's a more detailed breakdown of metrics we analyzed in each category across all 50 states:

### **Robustness of small business activity**

- Startup early survival rate (2021)
- Opportunity share of new entrepreneurs (2021)
- Rate of new entrepreneurs (2021)
- Net change of small business openings and closings per capita (March 2021-2022)
- Real gross domestic product per capita (2023)

### **Availability and quality of labor**

- U.S. Chamber of Commerce's Worker Shortage Index (September 2023)
- Percentage of job creation through small businesses (March 2021-2022)
- Percentage of employees working at small businesses (March 2021-2022)
- Average literacy and numeracy scores of U.S. adults (2012-2017)

### **Business costs**

- Real hourly median wages for all occupations (May 2023)
- Citizens Utility Board's Electric Utility Performance Index (2022)\*
- Tax Foundation's State Business Tax Climate Index (2024)\*

### **Access to capital**

- Total 7(a) Small Business Administration loan approval amount per number of small businesses (2024, 2021)

### **Infrastructure**

- Percentage of acceptable roads (2022)
- Percentage of structurally deficient bridges (2024)
- Citizens Utility Board's Electric Utility Performance Index (2022)\*
- Median internet speed (2023)

### **Policy and regulation**

- Small Business and Entrepreneurship Council's Small Business Policy Index (2019)
- Tax Foundation's State Business Tax Climate Index (2024)\*

*\*Indicates that this metric was included in more than one category*

### **About Bankrate:**

Bankrate has guided savers and spenders through the next steps of their financial

journeys since 1976. Whether it's rates or information on mortgages, investing, credit cards, personal loans, insurance, taxes or retirement, the company offers various free resources to help consumers reach their goals. From product comparison tools to award-winning editorial content, Bankrate provides objective information and actionable next steps. Bankrate also aggregates rate information from over 4,800 institutions on more than 300 financial products, with coverage in more than 600 local markets. It's why over 100 million people put their trust in Bankrate every year.

**For more information:**

Sara Dramer

Public Relations Specialist

sara.dramer@bankrate.com

929-205-9713

---

[Bankrate](#)

