

# [Small business](https://assignbuster.com/small-business/)

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The term small business is a phrase that is commonly used to refer to privately owned and operated firms. These firms are characterized by a small number of employees, fewer assets, low sales volume and low profits. In the USA, the term small business refers to firms or companies which employ less than 500 employees. Small businesses are characterized by some specific features, which form the parameters used to define small businesses.

The first characteristic is that small businesses must be self-governing. This implies that for a firm to be regarded as a small business, it must be owned and operated independently. Therefore, in this scenario, company branches and subsidiaries cannot be regarded as independent businesses. The second attribute is that a small business is not usually dominant in the specific field it operates in. This means that these businesses operate under monopolistic competition market structure; a market situation whereby there are many sellers in the market. Thus, the actions of a single seller will not have any effect on competitors in any considerable way.

The third is the number of employees the firm employs, which defines the size of the firm. For the U. S, all private businesses that employ less than 500 employees are categorized as smallbusinesses. (Norman M. Scarborough, 2008) Small firms have contributed immensely to the economy and today’s markets. With the number of small businesses in the US economy being approximately 19 million firms currently.

The government earns revenue through license fees and taxes levied on these businesses. This boosts the government’s income, leading to economic growth of the country. Arguing from how owners of small businesses operate their firms, it is obvious their competence and quality of products is much higher, as compared to that of other businesses. Therefore, owing to this attribute customers can access high-quality and custom-made products and services worth their value, unlike the case in mass production. This guarantees consumer satisfaction, which is a core factor in ensuring economical growth in any country. (Strauss, 2008) The large number of small business in the U.

S presents one of the largest sources of employment for the citizens. According to statistics, more than 70 per cent of the American population is employed by small firms. This leads to economic growth and development of the citizens, since through employment the well-being of individuals improves, implying increased per capita income, better education aand health, which are reflectors of economic growth in a country. (Justin G. Longenecker, 2007) Small businesses save on money which they could have otherwise paid out due to idle time-time that employees waste since it is not translated to useful labor. Therefore, given that the hours in production are less than those one is hired for, the business incurs immense losses, a cost they can avoid.

This is because big businesses remunerate employees on the basis of the time rate method of labor costing that is centered on hours, days or weeks worked. But, in the case of small businesses, the concept of labor costing is different. The workers are paid for the time they actually spent on the job on a piece-rate system. Effective use of business funds can ensure growth for a business, as these funds will be used in developing other business projects. Car washing is my business of choice; to start with, the initial cost is minimal because you only need an open place like a garage or car parks.

The set up cost and rent charged for the space are low. The only resources required are water and washing detergents. In most cases, you just need a license from the council to start to operations. The expenses in general are low, since it is not a must to employ staff.