prietor to firms of significant size; from small rural areas to large metropolitan complexes—and has given us a broad span of lending programs to cope with them. Since the authorization of the regular business loan program in 1953, several additional financial assistance programs were authorized, namely, (1) The Displaced Business Loan program, (2) The Economic Opportunity Loan program, (3) The State and Local Development Company Loan programs, (4) The Small Business Investment Company program, and (5) The Lease Guarantee program.

These additional programs have enhanced the ability of SBA to assist thousands of small businessmen in their efforts to enter into the market, to expand or modernize their facilities, and in some cases, to survive. A detailed discussion of each of our lending programs is included in the Appendix to my statement and, with the permission of the Committee, will be inserted into the record. However, I would like to summarize, for the benefit of the Committee, the accomplishments under these programs.

(a) *Summary of all Lending Programs (except Disaster).*—Analysis of the historical performance of the SBA lending programs indicates conclusively that they have substantially assisted in providing the capital needs of the small business community, contributed to economic growth of the nation, stimulated private-sector interest an d participation in Government programs, and assisted in creating new jobs needed to meet an expanding work force.

Since the inception of our lending programs, over 117,000 businesses have obtained $5.3 billion in loans and financings, of which $2.2 billion (almost 42%) was provided by the private sector. (Table 1.)

Reliable employment statistics are available on three of our loan programs:

The Economic Opportunity Loan (EOL) Program indicates that each loan results in 2.5 jobs, including the borrower. Thus, for the 6,297 loans made thus far, about 15,000 job opportunities were created.

The Local Development Company (Section 502) program provided employment opportunities for 64,631 persons. (Table 20).

Reports from 1,381 firms assisted by SBIC's indicate they have increased their employment by 11,800 jobs (29%) since the original financings were made.

In addition to these benefits, there are several additional but unquantifiable benefits which accrue to the national economy from our financial assistance programs, namely:

The $5.3 billion in gross financings have contributed substantially to the Gross National Product when we consider the multiplier effects of Federal Expenditures.

Added tax revenues to the States and Federal Government.

Keeping people off the unemployment rolls.

Improving family income with a consequent reduction in welfare payments.

Our analysis also shows that these significant contributions to the economy were made at very modest loss rates. A recent study shows the estimated loss rates to be: (a) 2.9% in the business loan program; (b) 8.9% in the EOL program; (c) 1.5% in the displaced business loan program, and (d) 0.93% in the Local Development loan program (Table 6).

(b) *Business Loan Program.*—Since the inception of this program, almost 81,000 loans for $3.6 billion had been approved by December 31, 1967; 55% of the loans for $1.4 billion went into retail and service businesses and 24% for $1.4 billion went into manufacturing (Table 2). Private sector funding amounted to $1.2 billion or 34% of the $3.6 billion in approved loans (Table 1).

During the past year, an extensive analysis was made of the program to determine its benefits to the borrowers, its cost to the government and its benefits to the economy. Briefly, the analysis disclosed the following:

(1) *Borrower Growth Patterns.*—Our analysis traced the annual increase, or decrease, in the sales, profits, net worth and assets of SBA borrowers for a period of six years following the loan approval. The results were gratifying: Profits increased at an annual average rate of 20% for all SBA borrowers and 14% when new firms were excluded; assets—8%; net worth—6%; and sales—8%.

The profit growth of SBA borrowers exceeded industry-wide patterns in manufacturing, wholesale and services; however, SBA borrowers in retail trade lagged slightly behind the industry-wide pattern. We also found that profit growth under guaranteed loans exceeded those under direct and participation loans. (Tables 8 thru 14).

(2) *Cost to the Government.*—A cash-flow analysis was made to determine the ultimate net cost of the business loan program over the life-cycle of each year's loan approvals. All income and expenses, including Treasury interest, administrative costs, and losses, were considered in the calculations. The result indicates that