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Eliana Balla, Robert E. Carpenter, Breck L. Robinson

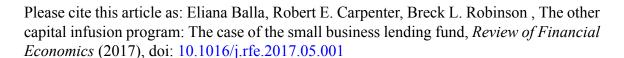
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The Other Capital Infusion Program: The Case of the Small Business Lending Fund

Eliana Balla

Federal Reserve Bank of Richmond

Robert E. Carpenter

University of Maryland Baltimore County

and

Breck L. Robinson

University of Delaware

Abstract

This study investigates banks' incentives to participate in the Small Business Lending Fund (SBLF) program, characteristics of the participants and their subsequent small business lending behavior. Our results show that participating banks were healthier, larger and located in states with faster private sector job growth. While banks that participated in the SBLF program experienced stronger growth in small business lending in comparison to their eligible non-participating peers, the subset of institutions that used SBLF funds to repay their Troubled Asset Relief Program (TARP) obligations experienced weaker small business loan growth. Overall, participation in the SBLF program was limited to a small fraction of banks that were potentially eligible, but the program was successful in encouraging participants to grow their small business loan portfolios. However, our analysis indicates that a subset of participating banks used the SBLF program to exit TARP, thus limiting the success of the SBLF program.

Keywords: banks, government policy and regulation

JEL Classification: G21, G28

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