

## Accepted Manuscript

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PII: S1058-3300(16)30068-4  
DOI: doi: [10.1016/j.rfe.2017.05.001](https://doi.org/10.1016/j.rfe.2017.05.001)  
Reference: REVFIN 408  
To appear in: *Review of Financial Economics*  
Received date: 13 June 2016  
Revised date: 29 March 2017  
Accepted date: 3 May 2017

Please cite this article as: Eliana Balla, Robert E. Carpenter, Breck L. Robinson , The other capital infusion program: The case of the small business lending fund, *Review of Financial Economics* (2017), doi: [10.1016/j.rfe.2017.05.001](https://doi.org/10.1016/j.rfe.2017.05.001)

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

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## 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

The authors thank conference participants at the 2014 International Banking, Economics and Finance Association conference and 2014 Southern Finance Association conference for their valuable comments and suggestions. We also thank Jordan Nott, Chava Carter, Ross Podbielski and Laurel Mazur for excellent research assistance. *The views expressed in this paper are those of the authors and do not necessarily reflect those of the Federal Reserve Bank of Richmond or the Federal Reserve System.*

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