



Office of Inspector General

Inspection Report

Job Creation and the 7(A) Guaranteed Loan Program

November 1994

Summary

This inspection is a proactive effort to examine (1) the feasibility of establishing a job creation focus for the 7(a) loan program, (2) the practicality of identifying industries appearing to have the greatest potential for significant job creation, and (3) the options for measuring the 7(a) program contribution to job creation. The available evidence indicates that only a small percentage of firms in any given industry accounts for most of its job growth; therefore, focusing business loans on INDUSTRIES believed to have high job growth potential may not, in fact, result in significant job creation. Identifying in advance the relatively few FIRMS likely to create most of the jobs is difficult due to such uncontrollable factors as the highly volatile nature of businesses and the employment they create. Whether or not SBA adopts a job creation focus, we found that existing data collection options for measuring progress in creating jobs have serious flaws and/or drawbacks. Moreover, drawing direct correlations between the provision of 7(a) loans and the jobs created would probably be misleading because of the other variables that materially influence the job creation process.

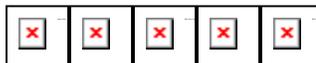
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