

COST BENEFIT ANALYSIS: ECONOMIC GROWTH PROGRAMS

Chart 9

OBJECTIVE: Determine preferred levels of alternative loan programs

- Borrower characteristics — size, growth rate, region, industry
- Loan characteristics — size, interest, maturity, purpose

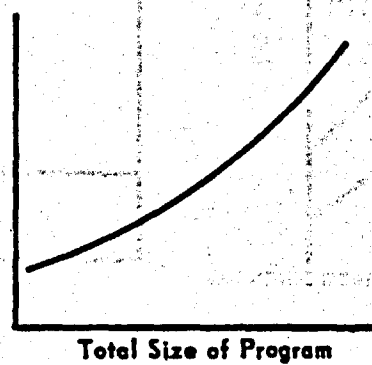
Cost Analysis

Administrative Cost
from Cost Accounting

Interest Cost
(Rediscount Rate)

Loss Range
from SBA-EIS

Marginal Cost



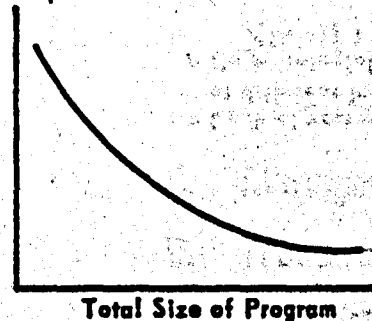
Benefit Analysis

Sales
Employment
Value Added
Profits

Single or
Combination

Compute from
SBA-EIS
177 Form

**Marginal Efficiency
of Capital**



DECISION RULE:

- Attempt to approximate market place
- Pareto optimality
- $\frac{MC_1}{MEC_1} = \frac{MC_2}{MEC_2} = \frac{MC_n}{MEC_n}$
- Uncertainty in allocation

- 70 -

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D.S. Orkand