

**DETERMINATION OF “DISADVANTAGED BUSINESS” BY SECTION 301(d)  
LICENSEES** (Excerpted from SBA Policy and Procedural Release #2017, 6/22/94)

STATEMENT OF POLICY

A Disadvantaged Business is a small business concern which is at least 50 percent owned, and controlled and managed by socially or economically disadvantaged individuals. No assistance may be provided by Section 301(d) Licensees to small business concerns unless such concerns are socially or economically disadvantaged (see the defined terms “Disadvantaged Business” and “Section 301(d) Licensee” in 13 CFR 107.50).

MEANING OF SOCIALLY OR ECONOMICALLY DISADVANTAGED

Except to recommend the elimination of any suggestion that only members of minority groups are eligible for assistance under this program and to specify that the program is to aid all who are hampered in achieving full citizenship in our economic system by virtue of their social or economic disadvantages, Congress has not fully defined the words “socially or economically disadvantaged.” This lack of precise legislative definition suggests that precise definition is inappropriate, and that flexibility is warranted.

PROCEDURES RELATING TO ELIGIBILITY DETERMINATIONS OF DISADVANTAGED  
BUSINESSES

If the business owner is a member of a designated group specified in CFR 13 Section 124.103 (i.e., Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, and Subcontinent Asian Americans), then he/she may be assumed to be socially disadvantaged, and no further information (including the financial status of the owner) need be considered.

In determining whether other owners of small business concerns are socially or economically disadvantaged, reliance should not be placed upon a single factor, but on a composite of such factors as the social or economic background of the principal owners, controlling individuals and managers of the concern, along with the general pattern of their life, opportunities and education which have prevented them from obtaining financial or other assistance available to the average entrepreneur in the economic mainstream. Consideration may be given to such factors as contribute to a disadvantaged condition in the ordinary (dictionary) meaning of that word – lacking in basic resources or conditions necessary to an equal position in society – as well as to such specific factors as:

- (a) Low income;
- (b) Unfavorable location, such as urban ghettos or depressed rural areas and areas of high unemployment or under-employment;
- (c) Limited education;
- (d) Physical or other special handicap;
- (e) Inability to compete effectively in the marketplace because of prevailing or past restrictive practices; and
- (f) Vietnam era service in the Armed Forces, (August 5, 1964 to May 7, 1975).