

Financing Trends in Indian Small and Medium Enterprises – Study 2006
Survey Questionnaire: Center for Analytical Finance, INDIAN SCHOOL OF BUSINESS

Introduction

Good Morning/Afternoon/Evening Mr./Ms. _____. I am _____ calling on behalf of the Center for Analytical Finance, Indian School of Business and am conducting a study to better understand the financing and governance patterns in the Small and Medium Enterprises. The study is aimed to gather information on your financing needs, how they are being met and what can be changed to better meet these needs. You are an integral part of this industry and your inputs will thus be critical in analyzing current and required future trends in SMEs.

Also, kindly note that all your responses will be completely confidential and will not be directly attributed to you or your company anywhere in the analysis.

General Information

1. Company Name: 2-7 TO BE FILLED IN BY INVESTIGATOR EXCEPT FOR RESPONDENT INFO	
2. Owner(s) Name:	
3. Respondent Name:	
4. Designation:	
5. Respondent Contact information:	
1. Extension:	
2. Mobile:	
3. Email:	
6. Company Contact Information:	
1. Company Address:	
2. Contact Number:	
3. Company Email:	
4. Company Website:	

1. Company Information

1. When was your firm founded/registered? _____
2. Is your firm listed?
 - 2.1. YES
 - 2.2. NO
3. If Q2=yes, what stock exchange? _____
4. If Q2=no, do you plan to get listed?
 - 4.1. Yes, within a year
 - 4.2. Yes, but at least after a year
 - 4.3. No plans currently
5. Please rate (on a scale of 1 to 5) the severity of the following problems for your business today?
1= least severe, with 5 = most severe.
 - 5.1. Taxes
 - 5.2. Inflation
 - 5.3. Poor sales
 - 5.4. Financing and interest rates
 - 5.5. Cost of labor
 - 5.6. Government regulations/red tape
 - 5.7. Competition from larger firms
 - 5.8. Quality of labor
 - 5.9. Cost and availability of insurance
 - 5.10. Other _____

Parameter	6. How would you rank your firm's performance in the last 1/2/3 years on the following parameters? On a scale of 1 – 5, where 1 = worst (much below the industry average), and 5 = truly exceptional (much above the industry average)?	7. For all parameters where rating < 3, do you think finance was the reason for a presumed lack of performance? (Note: Options 8 and 9 not to be asked for Q9)
1. <input type="checkbox"/> Sales		
2. <input type="checkbox"/> Expansion of Business Scope - New Business Lines		
3. <input type="checkbox"/> Deploying new IT/Technological solutions to improve performance		
4. <input type="checkbox"/> Quality of informal network – more clients, suppliers		
5. <input type="checkbox"/> Accumulation of real/capital assets		
6. <input type="checkbox"/> Getting bank loans/formal financing		
7. <input type="checkbox"/> Acquiring Credit – Trade credit (informal network)		
8. <input type="checkbox"/> Bills collections		
9. <input type="checkbox"/> Taxes		
10. <input type="checkbox"/> Marketing/Advertising		
11. <input type="checkbox"/> Seasonal/Cyclical issues		
12. <input type="checkbox"/> Overall performance: _____		

2. Financing

QUOTE: As you are aware, the main focus of this study is to determine the financing and credit related issues that Small Scale companies in India are currently grappling with. To reflect upon the industry we would now like to address different financing areas of your company.

This information will be kept completely confidential and will not be attributed to you or your firm directly. Please feel free to respond as per your convenience.

8. For the following financing sources, please rank the importance of EACH on a scale of 1-5 (In terms of the fraction of the total funding raised) in both the Start-Up (**when the firm was <5 years old**) and Growth phases.

1. little importance (less than 10%);
2. somewhat important (10% to 25%);
3. very important (25% - 50%);
4. extremely important (50%-75%)
5. Critical (over 75%)

Source of Financing	8 (a) Rank in Start-up Phase	8 (b) Rank in Growth Phase
Funds raised within founder's family including founder's own savings		
Funds raised from founder's close friends		
Loans from banks (short-term and long-term)		
Loans from private credit agencies and individuals		
Funding from state budget or local government		
Trade credits		
Venture capital		
Investment from NRIs		
Foreign direct investment (non-NRI)		
Other channels, please specify		

9. 9 (a) Please rank the degree of difficulty to access the funds from the following sources during the **START-UP** Phase of your firm, using a score or 1 - 5:

1 – very easy 2 – relatively easy 3 – somewhat difficult 4 – very difficult 5 – extremely difficult

- Raising funds within family and close friends of the owners;
- Short-term bank loans;
- Long-term bank loans;
- Loans from special institutions such as SIDBI and SFCs
- Trade credits;
- Private equity or debt from investors within India;
- NRI Investments;
- Foreign direct investment (non-NRI);
- Going public and issue public stock and bonds in the stock markets.

9 (b) Please rank the degree of difficulty to access the following financing sources during the **growth period** of your firm, using a score or 1 - 5:

1 – very easy and low cost; 2 – relatively easy and moderate costs;
3 – somewhat difficult and costly; 4 – very costly and difficult; 5 – extremely difficult and costly

- Raising funds within family and close friends of the owners;
- Short-term bank loans;
- Long-term bank loans;
- Loans from special institutions such as SIDBI and SFCs

- Trade Credits;
- Private equity or debt from investors within India;
- NRI Investments;
- Foreign direct investment (non-NRI);
- Going public and issue public stock and bonds in the stock markets.

10. Please indicate the importance of the following uses of funds in your business (1=not important 5=very important)

- 10.1. Raw materials financing
- 10.2. Export packing credit
- 10.3. Machinery financing
- 10.4. Technology Financing
- 10.5. Additional operating capital
- 10.6. Joint venture financing
- 10.7. Expansion financing
- 10.8. Other (please specify)

11. What do you think is the ideal level of debt in your business?

11.1. _____%

12. If your current ratio differs from your view of ideal numbers, why is it so?

- 12.1. Lack of debt sources
- 12.2. High lending rates
- 12.3. High cost of equity
- 12.4. Takes too long to procure loan
- 12.5. Using retained earnings
- 12.6. Others _____
- 12.7. My level of debt is at the ideal level

13. Equity Ownership pattern:

Proportion of equity	Promoters and their family members	FIs	Employees	Public (if listed)	Others (specify) _____
Less than 25%					
25-50%					
50-75%					
75-100%					

14. Rate (on a 1-5 scale) the difficulties in raising equity financing: (1: not important; 5: extremely important)

- 14.1. Likely investors limited only to friends and family who invest for non-economic reasons
- 14.2. Limited ability to reach potential investors
- 14.3. Limited liquidity of shares
- 14.4. Investors interfere in day-to-day functioning of firms
- 14.5. Others (specify) _____

15. 1 *If company is listed*, how often does trading happen in your shares?

- 15.1.1. Daily
- 15.1.2. At least once a week
- 15.1.3. About once a month
- 15.1.4. Once a quarter
- 15.1.5. Once a year or less frequently

15.2. *If company is unlisted, do your shares change hands?*

- 15.2.1. Rarely, only as a gift or among family members
- 15.2.2. Sometimes, when equity is sold to non-family members
- 15.2.3. Often, among a group of promoters' friends and family
- 15.2.4. Others (specify) _____

16. Now let's try and understand you loan account relations. What type of financing requirements do you usually have?

- 16.1. Current Asset financing
- 16.2. Short Term Asset financing e.g. Raw materials
- 16.3. Long Term financing, e.g. Machinery
- 16.4. Technology Financing
- 16.5. Additional operating capital
- 16.6. To pay taxes
- 16.7. Meet other debt obligations
- 16.8. Expansion financing
- 16.9. Other (please specify)

17. What was the most recent loan taken by your business for? Was it...

- 17.1. line of credit
- 17.2. capital lease
- 17.3. mortgage for business purpose
- 17.4. vehicle loan for business purposes
- 17.5. equipment loan
- 17.6. other loan (SPECIFY)

18. Did you furnish collateral for the same? If yes, what was it?

Note: *Select all that apply*

- 18.1. inventory or accounts receivable
- 18.2. equipment or vehicles
- 18.3. business securities or deposits
- 18.4. business real estate
- 18.5. personal real estate
- 18.6. other personal assets
- 18.7. personal guarantee
- 18.8. cosigner
- 18.9. other (specify)

19. What interest rate did you pay for this account?

19.1. _____

20. What was the maturity of this loan?

- 20.1. less than 3 months
- 20.2. 3-6 months
- 20.3. 6-12 months
- 20.4. 1-5 years
- 20.5. Beyond 5 years

21. On average, what interest rate do you pay for short-term bank loans?

21.1. _____

22. On average, what interest rate do you pay for long-term loans from banks/FIs?

22.1. _____

23. Do you currently have outstanding mortgages for business purposes?

- 23.1. Yes
- 23.2. No

24. On a 1-5 scale, please rate the importance of the following benefits of listing in a stock exchange for a firm like yours? (1: not important; 5: extremely important)

- 24.1. Once listed, will have easy and cheap access to future funding
- 24.2. Once listed, will have large scale funding
- 24.3. Can expand business to more customers
- 24.4. Can attract more foreign investors or Indian investors whom the firm cannot reach as an unlisted firm
- 24.5. Increase the reputation of the firm and its products and future profits
- 24.6. Increase the reputation and pay of the firm's top executives;
- 24.7. Other benefits, please specify _____

25. On a 1-5 scale, please rate the importance of the following costs of listing in a stock exchange for a firm like yours? (1: not important; 5: extremely important)

- 25.1. Too much bureaucracy makes it very time consuming
- 25.2. Expensive fees must be paid to government agencies and investment banks
- 25.3. Firm must disclose valuable financial and business information to outsiders and potentially can be revealed to competitors
- 25.4. Firm must subject to a whole set of accounting, corporate governance standards which are different from what have been working within the firm
- 25.5. Other costs, please specify _____

QUOTE: *Let's now talk about on some of your sources of financing your activities and understand their importance for you in detail*

	26. COST: How would you rate the attractiveness of each of the following sources of financing on the basis of cost of capital ? First please compare bank debt with trade credit and then rate the other sources. Please rate these on a scale of 1 to 5, where, 1 = not attractive at all and, 5 = very attractive	27. EASE OF PROCUREMENT: How would you rate the attractiveness of each of the following sources of financing on the basis of ease of procurement ? First please compare bank debt with trade credit and then rate the other sources. Please rate these on a scale of 1 to 5, where, 1 = not attractive at all and, 5 = very attractive
i) Comparing debt from Banks/FIs with Trade Credit:		
1. Debt From Commercial Bank		
2. Trade Credit		
Comments (if any)		
ii) Other Sources		
3. Internal Sources		
4. Equity(Pvt.+ Capital Mkt.)		
5. Capital Market Debt		
6. Debt from FIs like SIDBI		
7. Debt from Group co's / Promoters		
8 Others (Specify)		
Comments (if any)		

2.1 Banks and Financial Institutions

28. On a scale of 1-5, please rate the importance of the following factors in facilitating the process of obtain funding from banks and FIs? (1: not important; 5: extremely important)

- 28.1. Revenue: Firm is profitable and has good growth opportunities;
- 28.2. Total value of assets – higher value of assets allows institutional support even if the company is not profitable;
- 28.3. Higher number of employees
- 28.4. Whether firm operates in “protected” industries;
- 28.5. Business connections between firm and government officials;
- 28.6. Political or personal connections between firm and government officials;
- 28.7. Low current debt
- 28.8. Good previous payment track-record
- 28.9. Other factors please specify _____.

29. On a scale of 1-5, please rate the importance of the following factors in your selecting the financial institutions to borrow from? (1: not important; 5: extremely important)

- 29.1. Interest cost;
- 29.2. Relationship history;
- 29.3. Personal connection with the lending officer;
- 29.4. Reputation of the institution
- 29.5. Geographic proximity;
- 29.6. Application procedure
- 29.7. Loan processing time
- 29.8. Collateral and other documentation requirements
- 29.9. Others please specify _____.

30. On a scale of 1-5, please rate the importance of the following factors in approaching banks/FIs for loans? (1: not important; 5: extremely important)

- 30.1. Processing time
- 30.2. Collateral/guarantee requirements
- 30.3. Interest rates
- 30.4. Level of post-disbursement scrutiny
- 30.5. Previous banking relationship
- 30.6. Location preference of banks
- 30.7. Services in remote areas
- 30.8. Level of documentation required

31. Do you have existing relationships with banks – from trading accounts to credit accounts?

- 31.1. YES
- 31.2. NO

32. *If yes*, how many banks?

- 32.1. 1
- 32.2. 2
- 32.3. 3
- 32.4. 4
- 32.5. 5 or more

33. *If 32 = 1*, Why only one bank?

- 33.1. Existing comfort and long term relationship
- 33.2. Established credit history
- 33.3. Supportive staff
- 33.4. Proximity
- 33.5. Personal relationship
- 33.6. Preferential treatment on other services
- 33.7. Bank insists on an exclusive relationship

34. What proportion of your total borrowing from bank/FI's comes from your primary lending bank?

- 34.1. Less than 25%
- 34.2. 25-50%
- 34.3. 50-75%
- 34.4. 75-99%
- 34.5. 100%

35. Apart from loans/debt facilities, what other services do you avail of from these bank(s)?

- 35.1. Current/savings account
- 35.2. Fixed deposits
- 35.3. Credit cards
- 35.4. Mutual Funds
- 35.5. Investment advisory services
- 35.6. Others _____

36. In your opinion which types of banks have been most responsive to SME needs?

- 36.1. Commercial banks
 - 36.1.1. State owned
 - 36.1.2. Private
 - 36.1.3. Foreign
- 36.2. Development Banks
- 36.3. Cooperative Banks
 - 36.3.1. Primary Credit Society
 - 36.3.2. Central Co-operative banks
 - 36.3.3. State co-operative banks
- 36.4. Specialized banks
E.g. EXIM, SIDBI, NABARD

37. Have you switched banks at least once in the last 5 years?

- 37.1. YES
- 37.2. NO

38. If yes, What was the importance (on a scale of 1-5) of the following factors in determining the switch ?
(1: not important at all ; 5: extremely important)

- 38.1. Better interest rate offered
- 38.2. Higher loan limits offered
- 38.3. Aggressive marketing by new bank
- 38.4. Poor relationship with existing bank
- 38.5. Other (specify) _____

39. Based on your first hand experience, which is your bank/FI of choice for credit services? {Name a bank}

39.1. _____

40. How long have you had a relationship with this bank?

40.1. Years _____

41. Does your bank expect an exclusive provider status?

- 41.1. YES
- 41.2. NO

42. What is the nature of the bank's post-lending interaction with you?

- 42.1. Periodically to check progress of investment project financed by the loan
- 42.2. Ad hoc, to market new services
- 42.3. EMI reminders
- 42.4. Friendly periodic calls by relationship executive to enquire about fresh needs
- 42.5. Nil interaction, we contact the bank as need arises

43. Assuming that the loan with the stated bank is still on, how often does the staff of this bank contact your firm either to inquire about the investment project financed by the loan or to report at an update?
- 43.1. staff from the bank is actively involved with the project;
 - 43.2. once a quarter;
 - 43.3. once in six months
 - 43.4. once in a year or less frequent
 - 43.5. never contacted the firm once after the loan was issued
44. Has your business reached credit limits in any bank and been refused a request for increase in credit?
- 44.1. YES
 - 44.2. NO
45. If yes, how important (on a scale of 1-5) are the following in determining credit limits? (1: not important; 5: extremely important)
- 45.1. Your assessment of business conditions
 - 45.2. Bank's assessment of business conditions
 - 45.3. Length of relationship with the bank concerned
 - 45.4. Your firm's credit history at that bank
 - 45.5. Specific use credit was requested for
 - 45.6. Other (specify) _____
46. In case you miss one or more payments to the bank, what do you think would be the consequences?
- 46.1. The bank will work with you to restructure the loan and let you borrow
 - 46.2. The bank will charge a higher/penal interest rate on future borrowings
 - 46.3. The bank will not lend to you unless the payment arrears are cleared
 - 46.4. The bank will cease all business relationship with you
 - 46.5. The bank will initiate collection proceedings against you
47. What proportion of your debt is Non-collateralized [_____]
48. What proportion of your debt is from other corporate bodies (not banks/FIs) [_____]
49. For borrowings from other companies, what proportions come from following sources:
- 49.1. Suppliers [_____]
 - 49.2. Customers [_____]
 - 49.3. Unrelated companies owned/managed by family members/friends [_____]
50. What is the average interest rate *paid* by your company on such borrowings? _____
51. Does your company also lend to other companies?
- 51.1. YES
 - 51.2. NO
52. For loans to other companies (*if YES*) Are such loans collateralized?
- 52.1. YES
 - 52.2. NO
53. What is the average interest rate *earned* by your company on such lending? _____
54. If the loan repayment is not made, what would you do to secure the repayment?
- 54.1. It never happens, because I screen all borrowers/clients carefully;
 - 54.2. Seize the collateral, and renegotiate the contract;
 - 54.3. Threat to go to court but allowing renegotiation;
 - 54.4. Go to court without renegotiation;
 - 54.5. Seize the borrower's personal assets yourself;
 - 54.6. Other actions, please specify _____.

2.3 Role of networks – Trade Credit

QUOTE: *The next questions are about the firm's use of trade credit. Trade credit refers to purchases on account with a supplier.*

55. In the last year has your company made any purchases from suppliers on credit and if yes what percentage of total purchases were made using credit?

- 55.1. Yes
 - 55.1.1. Less than 10%
 - 55.1.2. 10% - 50%
 - 55.1.3. 50% - 99%
 - 55.1.4. 100%
- 55.2. No

56. Has any supplier that offers trade credit to business customers denied a request by your firm for trade credit?

- 56.1. Yes
- 56.2. No

57. Why did the supplier turn down the request?

57.1. _____

58. On a scale of 1-5, how important is availability of trade credit in selecting a supplier? 1= not important at all; 3= moderately important; 5= extremely important

59. On a scale of 1-5, how common is trade credit in your industry?

1= never used; 3= reasonably common; 5= used all the time

60. What are the standard trade credit terms in your industry?

- 60.1. Length of period over which to pay?
 - 60.1.1. Less than 1 month
 - 60.1.2. 1-3 months
 - 60.1.3. 3-6 months
 - 60.1.4. 6 months to a year
 - 60.1.5. Beyond 1 year
- 60.2. Typical discount for early payment
 - 60.2.1. 1-2%
 - 60.2.2. 2-5%
 - 60.2.3. 5-10%
 - 60.2.4. 10-20%
 - 60.2.5. More than 20%

61. For a typical trade credit facility, what is approximately your cost of funds?

- 61.1.1. 0-2%
- 61.1.2. 2-5%
- 61.1.3. 5-10%
- 61.1.4. 10-20%
- 61.1.5. More than 20%

62. Do you have to pay up previous dues completely before getting another consignment from your supplier?

- 62.1. YES
- 62.2. NO
- 62.3. Other arrangements. Explain _____

63. Can trade credit accumulate with an individual supplier?

- 63.1. YES
- 63.2. NO

64. To what extent?

- 64.1. Up to Rs. 25,000
- 64.2. 50,000
- 64.3. 1 lakh
- 64.4. 2 lakhs
- 64.5. 5 lakhs or more

65. How do you decide on trade credit terms with a supplier
- 65.1. Industry standard
 - 65.2. Negotiations on a case by case basis
 - 65.3. A long-term understanding with each supplier
66. Do you always use trade credit when available?
- 66.1. Always
 - 66.2. Mostly
 - 66.3. Sometimes
 - 66.4. Rarely
67. How often do you extend trade credit to your customers?
(1= never; 3= reasonably often; 5= all the time)
-
68. What are your typical terms of trade credit?
- 68.1. Length of period
 - 68.1.1. Less than 1 month
 - 68.1.2. 1-3 months
 - 68.1.3. 3-6 months
 - 68.1.4. 6 months to a year
 - 68.1.5. Beyond 1 year
 - 68.2. Typical discount offered for early payment
 - 68.2.1. 1-2%
 - 68.2.2. 2-5%
 - 68.2.3. 5-10%
 - 68.2.4. 10-20%
 - 68.2.5. More than 20%
69. What factors do you consider in deciding upon the trade credit terms?
- 69.1. Age of firm
 - 69.2. Business reputation of the owner
 - 69.3. Past Relationship
 - 69.4. Whether the owner is socially known to you
 - 69.5. Whether he belongs to your caste
 - 69.6. Whether he speaks the same language as you
70. Have you had cases of your customers defaulting on trade credit?
- 70.1. YES []
 - 70.2. NO []
71. What have you done in those situations?
- 71.1. Did not do anything, took the loss and kept the business relationship
 - 71.2. Threat to stop business relationship, but ended up renegotiating with the customer/supplier
 - 71.3. Immediately stop business relationship *without* renegotiation
 - 71.4. Go to court and/or government authorities to resolve the dispute
 - 71.5. Rely on mutual friends or non-government organizations (e.g., trade union) to resolve the dispute
 - 71.6. Other actions, please specify _____
72. What about your clients, is the approximate number of clients do you currently have, ongoing relations?
- 72.1. How many clients have you added over the last one year?
 - 72.2. [] 0 – 5
 - 72.3. [] 5 – 10
 - 72.4. [] 10 – 20
 - 72.5. [] 20 - 50
 - 72.6. [] More than 50
-

73. How many customers are you planning to add in the next year?

- 73.1. 0 – 5
- 73.2. 5 – 10
- 73.3. 10 – 20
- 73.4. 20 - 50
- 73.5. More than 50

74. In selecting suppliers, how important are the following:

1 = not relevant at all, 3 = somewhat important and 5 = extremely important

- 74.1. Whether the supplier is related to you through your extended family
- 74.2. Whether the supplier is socially known to you
- 74.3. Whether the supplier belongs to your caste
- 74.4. Whether the supplier has the same native language as your
- 74.5. Geographic proximity of supplier
- 74.6. Reference from another businessman in your industry
- 74.7. Reference from a relative, friend or social contact
- 74.8. Whether you have met him before in a professional setting

75. How important are the following in determining your likelihood of getting trade credit from your suppliers:

1 = not relevant at all, 3 = somewhat important and 5 = extremely important

- 75.1. Whether the supplier is related to you through your extended family
- 75.2. Whether the supplier is socially known to you
- 75.3. Whether the supplier belongs to your caste
- 75.4. Whether the supplier has the same native language as you
- 75.5. Geographic proximity of supplier
- 75.6. Reference from another businessman in your industry
- 75.7. Reference from a relative, friend or social contact
- 75.8. Whether you have met him before in a professional setting
- 75.9. Industry association

76. In extending trade credit to customers, how important are the following:

1 = not relevant at all, 3 = somewhat important and 5 = extremely important

- 76.1. Whether the customer is related to you through your extended family
- 76.2. Whether the customer is socially known to you
- 76.3. Whether the customer belongs to your caste
- 76.4. Whether the customer has the same native language as yours
- 76.5. Geographic proximity of customer
- 76.6. Reference from another businessman in your industry
- 76.7. Reference from a relative, friend or social contact
- 76.8. Whether you have met him before in a professional setting
- 76.9. Industry association

77. In negotiations with suppliers/customers involving default or breach of contract, how important are the following factors:

1 = not relevant at all, 3 = somewhat important and 5 = extremely important

- 77.1. Whether the other party is related to you through your extended family
- 77.2. Whether the other party is socially known to you
- 77.3. Whether the other party belongs to your caste
- 77.4. Whether the other party has the same native language as you
- 77.5. Geographic proximity of other party
- 77.6. Advocacy on behalf of the other party by another businessman in your industry
- 77.7. Advocacy on behalf of the other party by a relative, friend or social contact
- 77.8. Whether you have met him before in a professional setting
- 77.9. Industry association

78. What fraction of your suppliers belong to the following categories:

1: less than 10%; 2: 10-25%; 3: 25-50%; 4: 50-75%; 5: Over 75%

- 78.1. The supplier is related to you through your extended family
- 78.2. The supplier is socially known to you
- 78.3. The supplier belongs to your caste
- 78.4. The supplier has the same native language as yours
- 78.5. The supplier is located in your city/town
- 78.6. You have some information on his reliability through industry sources
- 78.7. You have met him before in a professional setting

79. What fraction of your customers belong to the following categories:

1: less than 10%; 2: 10-25%; 3: 25-50%; 4: 50-75%; 5: Over 75%

- 79.1. The customer is related to you through your extended family
- 79.2. The customer is socially known to you
- 79.3. The customer belongs to your caste
- 79.4. The customer has the same native language as yours
- 79.5. The customer is located your city/town
- 79.6. You have some information on his reliability through industry sources
- 79.7. You have met him before in a professional setting

2.4 Role of Networks - Friends and family

80. Do you use any contracts while borrowing from your friends or family members?

- 80.1. Yes
 - 80.1.1. Verbal
 - 80.1.2. Written

80.2. None

81. What are the general forms of investment made by your friends and family?

- 81.1. Private equity/profit sharing;
- 81.2. Personal loan with pre-specified interest rate and maturity;
- 81.3. Personal loan without clearly specified interest or maturity;
- 81.4. General partnership (and unlimited liability) between the investors and the founders;
- 81.5. Limited partnership (and limited liability) between the investors and the founders;
- 81.6. Other forms, please specify _____

82. Please rate the importance of the following factors (on a scale of 1-5) in approaching friends and family for funds

- 82.1. Member of immediate vs. extended family
- 82.2. If a member of your immediate family had helped a member of his/her immediate family in the past
- 82.3. For a friend, the age of friendship
- 82.4. If you had helped him/her financially or non-financially in the past
- 82.5. If he/she owns a business and is likely to be a supplier or customer for you
- 82.6. Others (specify) _____

83. In case you fail to re-pay on time, what do you think would be the consequences?

- 83.1. Friends and family consider the loan as a “soft loan” and are willing to write it off
- 83.2. They won't mind the delay and will lend again if necessary
- 83.3. It will be hard to ask for fresh loans again but they will understand the delay in payments
- 83.4. It will be a major loss of face
- 83.5. It will be the end of all relationship

3. Factors affecting performance

3.1 Management:

84. Who is responsible for the day-to-day management of the business: owner, or a hired employee or paid manager?
- 84.1. Owner
 - 84.2. Partner
 - 84.3. Hired employee/paid manager
85. Out of the top five managers how many have been hired externally as against from the founding family?
- 85.1. 1
 - 85.2. 2
 - 85.3. 3
 - 85.4. 4
 - 85.5. 5
86. Does the Top manager belong to the founding family?
- 86.1. Yes
 - 86.2. No
87. If Q86 = no, how much discretion can the manager have in making business/operation related decisions?
- 87.1. Full discretion: can do whatever he/she decides;
 - 87.2. Some to a lot of discretion: needs to get approval from owners on critical decisions;
 - 87.3. Little discretion: needs to consult the owners for most decisions;
 - 87.4. No discretion at all, always consults the owners for all decisions.

3.2 Employees:

88. What is your company's current employee strength?
- 88.1. Number of employees: _____
89. How many people have you hired over the last one year?
- 89.1. 0 – 5
 - 89.2. 5 – 10
 - 89.3. 10 – 20
 - 89.4. 20
90. How many people are you planning to hire in the next year?
- 90.1. 0 – 5
 - 90.2. 5 – 10
 - 90.3. 10 – 20
 - 90.4. 20

3.3 Government Policies:

91. Are you aware of government's latest initiatives for SME organizations?
- 91.1. SIDBI
 - 91.2. SMERA
 - 91.3. NSIC
 - 91.4. SIDO
92. Are you satisfied with the extent of support government and related institutions have given SMEs thus far?
- 92.1. YES
 - 92.2. NO
93. If Q92 = no, why? What are your biggest concerns with the governmental offerings?
- 93.1. Lack of information
 - 93.2. Lengthy licensing/registration Procedures
 - 93.3. Can't get through without personal contacts
 - 93.4. Bribe is imperative
 - 93.5. Others _____

94. Government and Ministry of Small Scale Industries promise to introduce new policies and measures to facilitate SMEs and budding entrepreneurs. Based on your experience so far, how would you rank the following state/central initiatives on effectiveness on a scale of 1 – 5 where 1 = no effort made to publicize, 5 = has been most effective?

- 94.1. Industrial extension services
- 94.2. institutional support in respect of credit facilities
- 94.3. Provision of developed sites for construction of sheds
- 94.4. Provision of training facilities
- 94.5. Supply of machinery on hire-purchase terms
- 94.6. Assistance for domestic marketing as well as exports
- 94.7. Special incentive for setting up enterprises in backward areas etc.
- 94.8. Technical consultancy & financial assistance for technological upgradation
- 94.9. Taxes

95. Is your firm rated by any agency?

- 95.1. YES _____ (Name of the agency)
- 95.2. NO

96. If Q95 = yes, what are the biggest advantages that you have personally witnessed? / If Q95 = no, what do you think can be likely advantages?

- 96.1. Enables SMEs to better differentiate themselves from competition
- 96.2. Faster access to funding: private investors and VCs
- 96.3. Facilitates lending at lower interest rates
- 96.4. Lowers dependence on informal sources of funding
- 96.5. Lowers need for collaterals
- 96.6. Simplifies lending norms within banking system: Shortens the loan processing and scrutiny period
- 96.7. Higher credibility with business partners - customers, suppliers and collaborators
- 96.8. Tool for self improvement - gives a comparative benchmark
- 96.9. Bridges gap between the SMEs and government
- 96.10. Visibility - listing in publications and website
- 96.11. Others _____

97. If Q95= yes, how was the rating experience for you? Please rate on a scale of 1 – 5, where, 1 = not satisfied at all

- 97.1. Rating fee
- 97.2. Processing speed
- 97.3. Transparent and fair evaluation of firm
- 97.4. Understanding/Skilled rating analysts
- 97.5. Overall experience _____

98. If 95 = no, are you likely to go for a rating?

- 98.1. Yes, in one year
- 98.2. Yes, We are already in the process
- 98.3. May be, nothing planned as yet
- 98.4. No (cannot foresee a need)

99. If Q98 = no, why?

- 99.1. _____

4. Assessing the Export Competitiveness of SME's *Applicable ONLY if the firm exports

100. What was the percentage of your export earnings to total sales last year? ____%

101. What was the firm's average capacity utilization over the last year? (*Capacity utilization is the amount of output actually produced relative to the maximum amount that could be produced with your existing machinery and equipment and regular shifts.*) _____ %

102. If **production capacity is under-utilized (<100%)**, please indicate 5 reasons why.
(rank 1=most important, 5=least important)

- 102.1. Insufficient domestic demand
- 102.2. Insufficient international demand
- 102.3. Shortage of raw materials
- 102.4. Lack of skilled labour
- 102.5. Lack of working capital
- 102.6. Lack of unskilled labour
- 102.7. Other (please specify):

103. Which of the following factors is / are adversely affecting your **overall export performance**?
(rank 1=most adversely affects, 5=least adversely affects)

- 103.1. Weak international market demand
- 103.2. Lack of Technology
- 103.3. Competitive environment
- 103.4. Availability of credit
- 103.5. Cost of credit
- 103.6. Inadequate infrastructure
- 103.7. Rising cost of raw material
- 103.8. Appreciation of Rupee
- 103.9. Tariff and non-tariff barriers in your export markets
- 103.10. Government procedures

104. Please specify the importance of areas in which you would **require assistance to improve export performance**. (rank 1=very important, 5=not important)

- 104.1. Market information
- 104.2. Product improvement
- 104.3. Market studies
- 104.4. Product design
- 104.5. Export incentives
- 104.6. Quality control
- 104.7. Export finance
- 104.8. Trade contacts
- 104.9. Procurement of raw materials
- 104.10. Marketing missions
- 104.11. Packaging
- 104.12. Export management training
- 104.13. Other (please specify):
- 104.14. NA: Don't require assistance

105. Thinking of your main product line or main line of services who is your **closest competitor**?

- 105.1. A small and medium domestic firm
- 105.2. A small and medium foreign firm (mention country)
- 105.3. A large domestic firm
- 105.4. A large foreign firm (mention country)

106. Thinking of your main product line or main line of services and comparing your production process with that of your **closest competitor**, which of the following best summarizes your position: (select one)

- 106.1. My firm's technology is less advanced than that of its main competitor
- 106.2. My firm's technology is about the same as that of its main competitor
- 106.3. My firm's technology is more advanced than that of its main competitor

107. Has your firm received ISO (e.g. 9000, 9002 or 14,000) certification?

- 107.1. YES
- 107.2. NO

108. Over the last three years, what were ways in which your establishment **acquired technological innovations**?

(rank 1=very important way, 5=not important way)

- 108.1. Embodied in new machinery or equipment
- 108.2. By hiring key personnel
- 108.3. Licensing operations from international sources
- 108.4. Licensing operations from domestic sources
- 108.5. Developed or adapted within the establishment locally
- 108.6. Transferred from parent company
- 108.7. Developed in cooperation with client firms
- 108.8. Developed with equipment or machinery supplier
- 108.9. From a business or industry association
- 108.10. Trade Fairs and/or Study Tours
- 108.11. Consultants
- 108.12. From universities, public institutions
- 108.13. NA: Did not acquire technological innovations in the last 3 years

Many thanks for your time and valuable inputs. Would you like to receive an email summary of this study once completed by early next year? Yes No

Thanks and have a great day!